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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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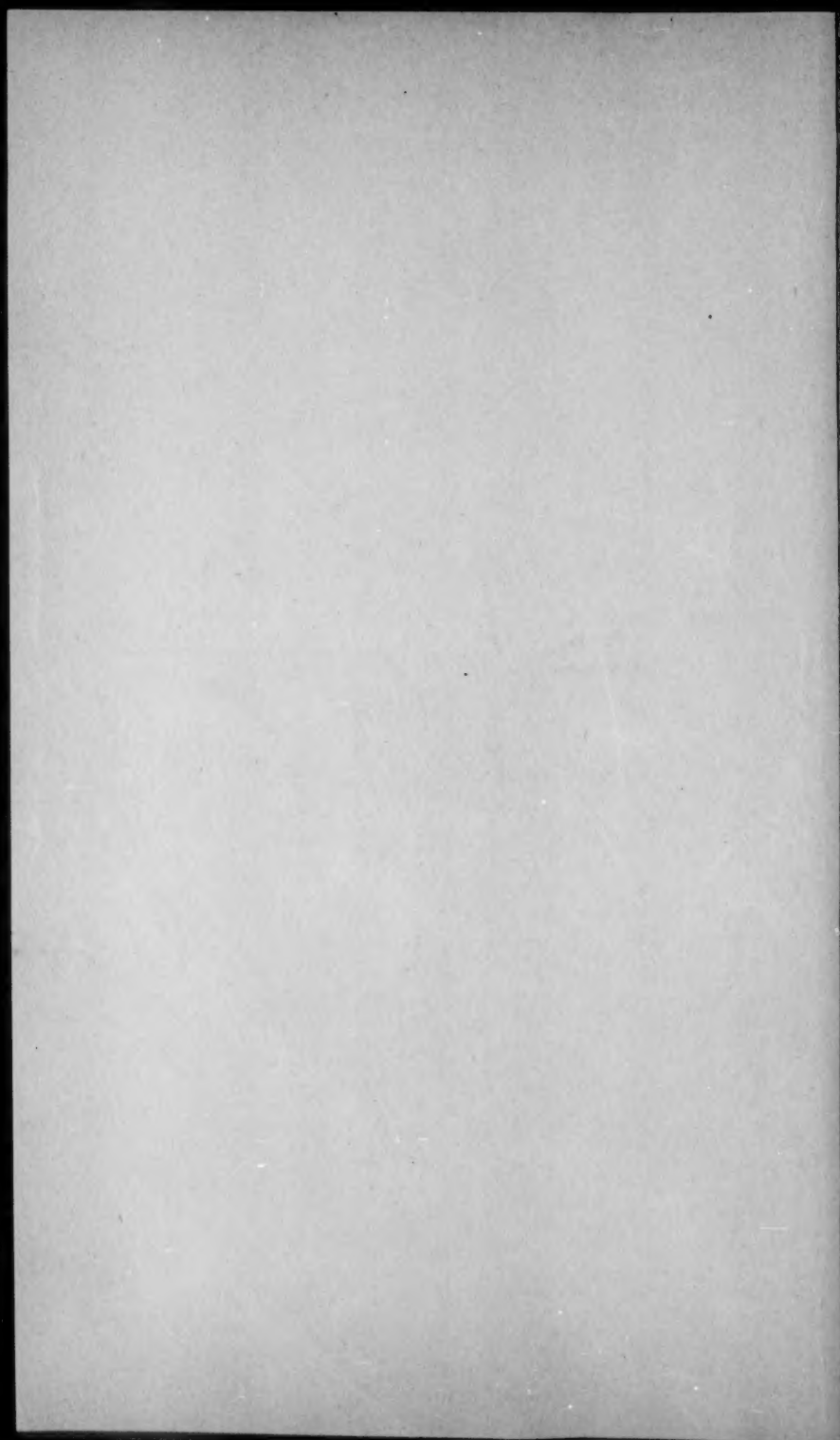
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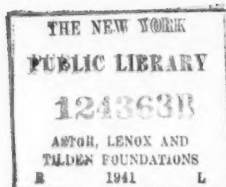
THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF
THE BRITISH COMMONWEALTH

Volume XXX

DECEMBER 1939 TO SEPTEMBER 1940

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THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

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OF THE BRITISH COMMONWEALTH

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WAR AND PEACE

I. 1914 AND 1939

THE British Commonwealth is again at war, again with Germany, and again in defence of freedom. To most of us, and especially to those who are old enough to remember the last war, this mere fact of repetition must seem the most shocking feature of the whole catastrophe. Only twenty years ago we emerged victorious from a test of strength and endurance far greater than any previous war had imposed on those who fought it. We had lost the flower of our generation. We had dissipated a large part of the wealth accumulated in long years of peace by the skill and labour of our peoples. Our society had suffered injuries, moral as well as economic, which it would take a long time to repair. But for all that there was one deep source of consolation. Most of us believed that the triumph of freedom was final, that the world had indeed been made "safe for democracy", that the "war to end war" had ended war. There were few of us, it is safe to say, who did not think, when the bells rang out for the armistice, that there could never be another big-scale war. And, if that were so, our sacrifices had at any rate not been useless. We had bought at a terrible price the chance of making a better and more prosperous world. And then the chance was frittered away. In less than a generation the same ordeal has to be endured again; and, though, of course, the main fault lies with the enemies of freedom, its champions must bear their share of blame. Future historians of this age will marvel at the manner in which the victors of 1918, equipped as they then were with irresistible power on land and sea and in the air, allowed the course of international affairs so to develop as to make it possible

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within so short a time for their defeated and disarmed antagonist, not merely to challenge the peace settlement they had imposed, but to force them into another desperate fight for their existence. It may be left to those historians to unravel the complex of idealism and selfishness, of good intentions and bad judgment, of illusion and inertia, which accounts for our and our allies' share of responsibility for this catastrophe. This is not the time to define and apportion the blame. All that matters now about our conduct in the last twenty years is the first and simplest lesson to be learned from its result. We start this war knowing that it will not be enough to win it. The fruits of victory must be secured. That lesson does not need teaching twice.

There is another reason for not dwelling overmuch on the recent past. To fix one's attention on Versailles and its sequel is to run the risk of forming too short-range an opinion of the cause of this second conflict and to overlook its similarity, its virtual identity, with the cause of the first.

The cause of both the tragedies originates as far back as the middle of last century. In 1850 it was at least conceivable that democracy and nationality, the twin forces born of the age of the American and French Revolutions, would succeed in building up a new system of liberty and peace in Europe. But it was essential that they should work in unison, and, when the divided German people, potentially the strongest people on the Continent, were inspired by the principle of nationality to unite themselves in a single national state, they failed to establish it on a democratic basis. If the German Liberals had been less enthusiastic and more hard-headed, less doctrinaire and more practical, they might have held their own against the forces of reaction. As it was, the Prussian spirit, still living in the dead past of its hero, Frederick the Great, still believing that the people existed for the state, not the state for the people, and that the state existed primarily to maintain and strengthen its military power at the expense of neighbouring

states—this Prussian spirit, incarnate in Bismarck, determined the nature of the new Germany. Such matters, Bismarck said, were not decided by parliamentary resolutions, but by blood and iron, and he proceeded to weld Germany together by making three wars in seven years, the wars with Denmark, Austria, and France. The outcome was a *Reich* in which Prussia and the Prussian spirit, instead of, as the Liberals had hoped, being absorbed by, had absorbed the more free-minded, less militarist Germans of the Rhineland and the South. But Bismarck knew where to stop. If he had continued to control the foreign policy of the new German Empire, it is improbable that he would have provoked another major war. He wanted time for the new imperial structure to solidify and to digest the territories it had snatched from Denmark and France. He was therefore content to keep Germany safely at peace by fostering quarrels between her rivals. But in the very triumph of his earlier policy lay the seeds of its undoing. The imagination of the German people had inevitably been coloured and inflamed by the events of 1870-71. They were "drunk with victory", it was said. They had become so easily a Great Power. Was it much more difficult to become the Greatest Power?

By the end of the nineteenth century the Prussian masters of the *Reich* had made up their minds that the twentieth century should "belong" to Germany. Her old heritage of music, poetry and philosophy, her new prestige in the world of learning, the leading place she had already won in industry and trade—all that was not enough, and soon the extravagant idea was taking root that the only alternatives for the future of Germany were, to quote the title of a notorious book, *Weltreich oder Niedergang*, World Empire or Downfall.

That meant, of course, an open challenge to the British Empire and it was openly made. The purpose of the great navy which Germany began to build in 1900 was to contest—it was practically stated in so many words—the command of

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the sea with Britain. "Our future", said the Kaiser, "lies on the water." German officers frankly drank to "the day" when Britain would suffer the fate of France. It became steadily clearer, not indeed to the average British citizen in this country or overseas, who refused to believe in the notion of an "inevitable" war, but to close students of international affairs, that Germany was bent on pressing her claims to an issue; and it is interesting to recall that the first article in the first number of *THE ROUND TABLE*, published in September 1911, was entitled "Anglo-German Rivalry". "The central fact", it began, "in the international situation to-day is the antagonism between England and Germany"—an antagonism, it went on to explain, which was not so much a conflict of interests as a conflict between two philosophies, between two systems of ordering human affairs, between the pursuit of freedom and the pursuit of power. There were two possible ways, it was being said, by which the issue of this conflict into open war might be avoided. The movement for universal peace might achieve its end in general disarmament, or the German people, already restive under the tyranny of the bureaucracy and the military caste, would reject the dream of world-dominion and all the sacrifices its fulfilment must entail. *THE ROUND TABLE* refused to put its trust in either of those hopes. "Peace and her safety, England sees clearly enough (but did she? one wonders now) depend on her maintaining armaments of such strength that it is hopeless for Germany to put her future to the arbitrament of war." And in considering what that strength should be (the article continued), it was well to remember what the Germans thought.

If ever it comes to a struggle between them and us, they are confident of victory. They believe that they embody the vital civilisation of the day. . . . The Anglo-Saxon world, they point out, is full of the talk of disarmament, of peace as the supreme necessity of the time, of material well-being as the central aim of

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collective security. Such a creed, they say, is bound to go down before the idealism of Germany.

The sequel does not need re-telling. The war came and engulfed the world against the will of the vast majority of its inhabitants. That fact unquestionably emerges from the mass of meticulous research that has been devoted to the subject. It was Austria that actually precipitated the war, but Germany could have prevented it, and, whether or not she had wanted it to come precisely when it did, she had prepared for it and meant to have it at the first favourable opportunity. Causes, of course, do not operate *in vacuo*. They are helped or hindered by the circumstances in which they arise. And in the sense in which individual crimes are the outcome of social conditions, the war was the outcome of an imperfect organisation of international society. That was, so to speak, its negative cause, for which all the nations were more or less responsible. But the positive cause of the greatest injury that had so far been inflicted on mankind was the subjection of the German people to the Prussian creed of power.

There is no need, similarly, to re-tell the sorry story of what happened when we fondly supposed that "the military domination of Prussia" had been "wholly and finally destroyed". It is enough to point out how closely, though in grimmer form, the history of the first pre-war period has been repeated in the second. Again democracy had a chance in Germany. At one time it seemed not impossible for the "Weimar Republic" to grow into a great liberal state. But once more those forces in Germany which shared in the common ideals of Western civilisation were overborne by the old creed of blood and iron. And in far more intense and brutal shape now, and far more swiftly, the old German threat to the peace and freedom of Europe was renewed. The sequence of events was much the same. First, the concentration of the whole national life on preparation for war, and then the creation of a greater *Reich*

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than Bismarck had achieved, not indeed by three wars, but by three acts of force which were only not acts of war because they were not resisted. Up to a point, too, the reaction of the British Commonwealth to these developments was the same as before. When the war was won and the men who had made it gone, the British instinct was to make friends with a people with whom there had always seemed to be more of a sense of kinship than with any other European people; and even after the Nazi revolution most of us again refused to believe in the inevitability of war. If the glaring vices of the Nazi system could not be ignored, there were those who praised what seemed to be its virtues—its direct and triumphant appeal to the sense of public duty, its attempt to override the barriers of class, its energy and drive. There was, moreover, one point of contrast with the earlier situation. So far from openly challenging British sea-power, Herr Hitler concluded a naval treaty, limiting the size of the German Navy to about one-third of the British, and declared it to be a proof that he would never go to war with Britain. Unfortunately, however, that stroke of policy was capable of two interpretations. It might have been meant as the first step towards a general European reconciliation, and it might have been meant as an attempt to persuade Britain, her own security assured, to leave Germany to pursue unchecked a very different course. Herr Hitler, indeed, had stated in *Mein Kampf*, with startling candour, that he wanted an alliance with Britain so that "France, the mortal enemy of Germany, would be isolated". And yet British Ministers did not lightly abandon the more charitable interpretation. Visits were paid to Berlin. Assurances were given that any German grievance would be considered and as far as possible redressed in the negotiation of a new all-round settlement. Even when Herr Hitler proceeded to nullify by unilateral action some of the basic clauses of the Treaty of Versailles, when he reoccupied and fortified the Rhineland, when he enforced the Austrian

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Anschluss, when finally he tore away the Sudetenland from Czechoslovakia, we let him have his way. There still seemed a chance that Herr Hitler might be content with the inclusion in *Gross-Deutschland* of all the contiguous territories inhabited by a majority of Germans, and that he was not really bent on reviving those wider ambitions which had brought his Prussian predecessors to disaster. Those hopes were shattered on the Ides of March. The seizure of Czechoslovakia could only be explained as a strategic move, as the removal of an obstacle to further projects of aggression. Herr Hitler was now free to seek the wider *Lebensraum* he claimed, either eastwards through Poland and the Ukraine, or southwards in the Balkans, or, his eastern flank secure, he might gather his strength for the final reckoning with France he had so frankly and fiercely predicted. And what then? It was clear now what all those protestations of friendship and common interest with the British Empire really meant. It was as clear now as in 1914 that the German dream of conquest was not limited to Europe. "The rare moment has come", Dr. Goebbels had said, "for the world to be apportioned anew." *Heute gehört uns Deutschland*, runs a marching song of the Hitler Youth, *morgen die ganze Welt*. "To-day Germany belongs to us, to-morrow the whole world."

II. COMMONWEALTH OR "WELTREICH"

IT is, of course, because Britain, with the overseas members of the Commonwealth behind her, is the greatest obstacle to a German *Weltreich* that its exponents have nourished in their own hearts and done their best to spread among the German people a bitter hatred of this country—a hatred that is curiously blended with respect. There is no reason to doubt the sincerity of Herr Hitler's tributes to Britain and the British Empire, nor to doubt either his desire for its ultimate destruction. In particular he resents

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its size. Again and again in recent years he has pointed the contrast between 40,000,000 square miles under the British flag and 800,000 under the German; and in the utterances of his lieutenants or the caricatures of his press again and again the picture is drawn of John Bull, the man of great possessions, clutching his money bags, while the poor and hungry German looks enviously on.

This conception of the British Empire calls for a brief examination if only because it is not confined to German minds. There are neutral observers who still talk about British imperialism as if the Empire were still an empire in the old sense of the word, as if Britain "possessed" a quarter of the world. A century and a half ago such language would not have been altogether inappropriate. To say, indeed, that George III and his Ministers regarded the American Colonies as a sort of "possession" is one way of stating the cause of the American Revolution. But that catastrophe, as everyone knows, set in motion a new current of imperial policy which, gaining strength from the liberal ideas of the nineteenth century, grew with the growth of a second British Empire and transformed it into the Commonwealth we know to-day. Is it, one wonders, yet fully understood abroad that the Dominions are now sovereign independent States, standing on a footing of complete equality with Britain, only associated under one crown of their own free will? If not, the lesson of what happened on the outbreak of war is plain to read.* In the first place the instant decision of the Dominions was quite obviously not due to British pressure. In 1939 as in 1914 Canada, Australia, South Africa and New Zealand joined in the war because the ideals and interests for which Britain was fighting were their own national ideals and interests. Secondly, they were free to choose. It was a question for their own Governments and Parliaments to decide. If any of them had declared themselves neutral, Britain would

* See the articles from the Dominions printed below.

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have respected their neutrality as fully as that of the United States—or of Ireland. In South Africa and in Ireland the situation is different from that of the other members of the Commonwealth, and for a simple reason. The Afrikaner majority in the Union and the Catholic Irish did not, so to speak, grow up into the Commonwealth; they were conquered into it. That happened, also, to the French Canadians, but so long ago that the bitterness which all such happenings must leave behind them is now dead and gone. When the Quebec Government, a few weeks back, virtually declared for isolation, French-Canadian public opinion swept it away.* In South Africa, however, those memories are little more than a generation old, and it is not altogether surprising that General Hertzog should have wanted the Union to be neutral if only, perhaps, for a time and to demonstrate her independence, though the majority of the Union Parliament preferred to follow General Smuts and set South Africa beside her sister Dominions in defence of their common freedom.† In Ireland the memories are younger still, and Mr. De Valera's attitude‡ will not be challenged or resented by any Englishman who knows and has pondered the past. He will observe, rather, that this is the first occasion on which the great majority of Irish nationalists have not acted up to their historic maxim: "England's difficulty is Ireland's opportunity." The unity of the Commonwealth, in fact, as THE ROUND TABLE always predicted, has not been weakened, it has been strengthened by the culmination of its growth to equal freedom in the Declaration of 1926 and the Statute of Westminster. And the resulting common war-effort is impressive, even more impressive than it was in 1914. The white population of the Dominions then numbered roughly 15 million; it is now well over 20 million; and their industrial equipment has

* See p. 181, below.

† See pp. 200-9, below.

‡ See the article on *Neutral Ireland*, pp. 134-47, below.

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grown proportionately faster than their man-power. It is a formidable fact that the production of aeroplanes in Canada and Australia is now going on side by side with the huge production in Great Britain. Still more striking is the scheme for the final training of pilots in the heart of Canada, where, safe from molestation by German bombers, young airmen, not only from the other Dominions but from this country too, will be trained together.* Meantime, for the direction of the common effort, Ministers from all the Dominions have already arrived in London, not to constitute as in the last war an "Imperial War Cabinet"—that was always a misnomer and is not needed now—but for consultation with British Ministers which will be none the less close and effective because it is informal.

Most foreign students of politics have come to regard this Commonwealth of Nations as a highly successful experiment in international relationship and a useful contribution to world order. But the Nazi mind is incapable of understanding it. The Declaration of 1926 was interpreted by Nazi publicists as a sign of weakness, a "most conspicuous surrender of power", a proof that England had lost "the flair to rule", a "passive renunciation of world-dominion". And to what conclusions do these curious notions lead? "England is now only a pseudo-Power. It will be well, if possible, to make an end of the fiction by peaceful evolution. But, if there must be an appeal to arms, there is no need to fear it. The very day war broke out, it would become manifest that Great Britain had already lost her world dominion."† How tragically—and significantly—reminiscent of those confident assumptions of 1914 that the British Empire had already broken up, that the Dominions were too deeply steeped in selfish materialism to fight for any cause in Europe! Clearly the type of German mind which is domi-

* See p. 230, below.

† H. Rauschnigg, *Germany's Revolution of Destruction* (translated from the German, London, 1939), pp. 203-5, 216-17.

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nant in Germany, now as then, is quite unteachable. The Prussian-Nazi doctrinaires, indeed, are logically obliged to despise and deride the Commonwealth and prophesy its doom. For it violates all the canons of their creed. It stands for government by consent and discussion. It believes in variety, not uniformity. It holds, for example, that the national traditions of England, Wales and Scotland have happily been woven into a common British heritage without losing their own particular strength and beauty, and that Canada is the richer for being able to develop her New World culture out of the languages and literatures of two Old World peoples. In its dealings similarly with foreign nations it desires to apply the principles which regulate its own international relations—equality of status, not ascendancy; discussion and agreement, not force. But in Nazi eyes, blinded as they are by a mystical faith in the predetermined right of the so-called Nordic people to subject all others to their will, to think like that, to want to live like that, betrays our decadence. The future belongs to those "dynamic" Powers who have not lost the "will to rule".

It is the same with India. As the direct outcome of the last war, in which she played a great part, India has advanced far along the road to sovereign nationhood. The Act of 1935 provided first for full responsible self-government, subject to certain "safeguards", in the eleven Provinces which make up British India. This part of the Act is now in operation. For nearly two years in all the Provinces (and some of them are great countries in themselves containing 40 or 50 million people) all matters of provincial concern (and those are the matters which touch the citizen's life most nearly—the maintenance of law and order, education, agriculture, public health and the like) have been controlled by Indian Ministers, responsible to Indian legislatures. In eight of the Provinces those Ministers are loyal members of the Congress party, the party whose openly declared policy is to get rid of the last vestiges of the

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old British *Raj*. Yet the relations between those Ministers and their British Governors have admittedly been cordial. The "safeguards" have not been needed. Governors have accepted their Ministers' advice. Whatever may be the issue of the present controversy this experience is of good omen for the future relations of India with Britain and the Commonwealth; and it is to be regretted that the second part of the Act should not have had the chance of a similar trial. For it provided for the Federation of all India, the Provinces and the States together, under a federal government responsible to a federal legislature in dealing, subject again to "safeguards", with practically all matters except two—Defence and Foreign Affairs. That meant that, in so far as the "safeguards" again proved needless, India would have attained the status which the Dominions enjoyed before they undertook the full burden of their own defence on land (and that was not long ago) and assumed their own control of foreign policy (and that was only yesterday). And as a symbol of the full Dominion status which Britain genuinely wishes India to obtain—the obstacles in her view are for India to break down—a representative of India has joined the representatives of the Dominions at the council table of the Commonwealth in London. But to Nazis this must seem an even more contemptible surrender of imperial power than the enfranchisement of the Dominions. Their spokesmen may protest at our keeping India under what they ignorantly describe as "Crown Colony government"; but the old complaint of 1914 sounds a more authentic Prussian note—that we had failed in our imperial mission by respecting India's ancient civilisation instead of forcing it into the mould of our own *Kultur*.

The conflict of ideas is still sharper with regard to the remaining portion of the Commonwealth—the real Crown Colonies and other similar dependencies. Some pages in the history of our treatment of the weak and backward peoples of the Tropics are black enough, if no blacker on

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the whole than those which other Europeans have written; but, like other Europeans, we have been trying for some time past to write a new chapter. Bad conditions in some of our tropical dependencies are now mainly due to the carry-over of nineteenth-century *laissez-faire*, not to calculated exploitation. Moreover, the liberal impulse which the last war gave to the evolution of the other parts of the Commonwealth did not leave our ideas of colonial policy unaffected. We welcomed the principle of the Mandate—that the government of peoples *not yet* able to stand by themselves is in the nature of a trust—and recently we have given it a more positive interpretation. Speaking in the House of Commons on June 7, 1939, the Secretary of State for the Colonies (Mr. Malcolm MacDonald) said that the purpose of our colonial administration was to enable the peoples in its charge, in course of time, to "become full citizens of the modern world".

The most appropriate and the surest instruments in the long run for accomplishing the steady advancement of the African people will be educated and responsible African leaders themselves. . . . The main objective of our government in all the Colonies is to train the people of the Colonies to stand always a little more securely on their own feet. . . . That freedom which we prize so highly ourselves we seek to spread among His Britannic Majesty's subjects in whatever part of this vast Colonial Empire they live.

In other words, the dependent peoples of the Commonwealth are travelling the same path as those of the Dominions and of India towards the same goal—that status of equality which is ultimately the only tolerable relationship between men and men wherever they may happen to be born. And if proof of this were needed, it might be found in the efforts now being made to improve facilities for higher education in British Tropical Africa with the avowed purpose of enabling more Africans to share in their own government.

Ironically enough, it is just when we are evolving this twentieth-century doctrine that the Nazis demand a share

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of our "possessions" in order to apply to them the doctrine of the eighteenth century or of a still earlier and darker age. It is, of course, the essence of the Nordic theory to glorify and maintain the existing inequalities between the peoples of the world. The Germans are a *Herrenvolk*, a race of rulers. The coloured races are their natural subjects. That is a perpetual dispensation. Black men must never be encouraged to acquire the ideas of white men. They may be schooled up to a point in their own culture, but higher education must be barred to them. Above all, humanitarianism, the proof of decadence, must at all costs be avoided. How these principles, these old and outworn principles of the "natural master" and "natural slave", might be applied in practice has been terribly demonstrated by Nazi treatment of members of a "non-Aryan" race already in their power. The judgment of the civilised world must be that men who think like that and act like that are disqualified *a priori* from sharing in the tutelage of backward and defenceless peoples.

We need not try to form a concrete picture of what would actually happen if the non-self-governing parts of the British Commonwealth were converted into a Nazi *Weltreich*, if all the progress we have made towards a juster relationship between the races were suddenly reversed, if millions of helpless people were at the mercy of men who have no sense of common decency in their treatment of fellow men. The outline of the picture is enough. The details must never be filled in.

III. THE AFTER-WAR

WE must hold on, then, till the war is won. A compromise can only be a truce, and that would mean the indefinite continuance of a tension that would be morally and materially unbearable. At whatever cost—and from subsequent articles in this issue it will be seen that the cost

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may well be greater than is yet generally recognised—we must win. But victory is not enough. That is the primary lesson, as was said at the beginning of this article, to be learnt from the record of the last twenty years. Civilisation must not only be saved. We must try to secure it.

Consider to what an extraordinary pass mankind has come. In a speech delivered on October 5, 1937, a speech which struck home throughout the civilised world, President Roosevelt stated the simple fact that only a small fraction of humanity—he put it at 10 per cent.—wanted war, and all the rest did not. Ever since 1914 it has been undisputed that the damage inflicted by modern war cannot be confined to the belligerents. Every country suffers to a greater or less degree from the dislocation of moral intercourse, from the waste of wealth, from the less obvious and less measurable injuries inflicted on all our common civilisation when part of it is overwhelmed by war. And yet, in flat defiance of the interests and wishes of at least nine men and women in every ten, the war has come.

There are some, no doubt, who might be called “defeatists”, not about the war but about what Mr. Eden in a recent broadcast called the “after-war”. Sceptical by temperament or driven into pessimism by the dissipation of the dreams they cherished twenty years ago, they say that to talk of a “new order” is to foster perilous illusions. “The peoples who have so foolishly abused their first chance are incapable of making better use of a second. War will come, whatever we do, from generation to generation. If that means the doom of civilisation, then civilisation is doomed.” Such opinions are not to be argued with. To hold them is to despair of human reason and human will. Conceivably mankind may fail to save its soul alive, but at least it is bound to try.

Others maintain that to talk of war aims now distracts us from our immediate task of winning the war. Is it not enough, they ask, to know that we are fighting to defend

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ourselves and all we care for? No; not quite enough to inspire the *maximum* effort that is needed. The men who fight and the women who wait must feel not only that their own safety and freedom are in question, but that another effort will be made, more whole-hearted than the last and more patiently thought out, to dispel from the children's lives the shadow that has darkened their parents'. The discussion of the peace settlement, it is true, must be provisional. We cannot forecast the situation in which it will be made, and we must not forget, as we are sometimes tempted to do, that it is not only we who will make it. It will be the work of our allies also in the first place; in its final form it ought to be the work of the whole civilised world. Let us keep those provisos in mind in considering the main conditions of the settlement we mean to make as far as it lies with us to make it.

The first is clear. The Nazi régime must be overthrown. *Il faut en finir*. The second is equally clear. This war, as was pointed out earlier in this article, is one of a series of German wars; it is the second German war with Britain, the third with France. There must not be another if we can help it. Germany must be made incapable of challenging the rule of law and liberty again, for as far ahead as we can see. This, it need hardly be said, is far the more difficult of those two conditions to establish or at least to maintain for any length of time. Herr Hitler and his colleagues can be removed by force if it is strong enough, just as Wilhelm II was removed by force. But force could not root out Prussianism from the German mind, and it cannot root out Nazism which, as has been observed, is only Prussianism in more brutal shape. That can only be done by the Germans themselves, and, however we may try to help them do it, they will not find it easy. The tenacity of the Prussian tradition from the days of Frederick the Great is sometimes overlooked. It is not only the making of five wars in eighty years: it is the ready ear accorded for more time than that to a long series of militar-

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istic writers and teachers from the patriots of the early nineteenth century on through Treitschke to the author of *Mein Kampf*. Is there something in the German make-up that cannot be brought into harmony with the spirit of the Western world? Or is it only the accidents of German history that are to blame? Are the Germans so difficult to live with only because, to use the current phrase, they are politically immature? If so, the outlook is more encouraging. There is a liberal tradition, too, in Germany, though it has always been weaker than its foe. Twice liberal governments have been established, for the separate states some ninety years ago, for the whole of the *Reich* the other day; and, though they did not live long, it is something that they lived at all. Those liberal forces, moreover, have been driven into a far more open breach with Nazism than they were with Prussianism. There were no patriotic German *émigrés* in 1914. With such conflicting facts before him no thoughtful man will dare to prophesy what sort of ideas will dominate the German mind when the war is over or ten or twenty years later. But on this question as on others uncertainty is no excuse for doing nothing. Plainly we must do what we can to make it possible for Germans, especially young Germans, to conceive their national destiny in terms of international co-operation rather than of conflict. "It is no part of our policy", said Mr. Chamberlain on October 12, "to exclude from her rightful place in Europe a Germany which will live in amity and confidence with other nations."

That leads us to the third condition of a settlement, namely, that the peace must be a just peace. It must do justice not only to the Germans' victims, to the Czechs and the Poles, but to the Germans themselves. That means a peace which, if circumstances permit, can be negotiated with a liberal German Government; a peace which a fair-minded German admits in his heart to be fair, so fair that it cannot be successfully caricatured as a "second Versailles". Secondly—and this is even more important—it must be a

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peace which at least the great majority of the neutral peoples can approve. For it will need more for its maintenance than the strength and resolution of those peoples who are now fighting for freedom. It will be essentially related to the wider settlement which alone can make freedom safe; and no such settlement is conceivable without the co-operation of all the freedom-loving peoples of the world. "We believe"—to continue the passage quoted above from Mr. Chamberlain's speech—"that *no effective remedy can be found for the world's ills that does not take account of the just claims and needs of all countries*, and, whenever the time may come to draw the lines of a new peace settlement, his Majesty's Government would feel that the future would hold little hope unless such a settlement could be reached through the method of negotiation and agreement."

It is at this point—when the discussion of the "after-war" goes beyond the narrower questions at issue between the combatants to the question of a wider settlement in which all the countries of the world are concerned—that we pass from common ground to controversy, the same controversy which, started by the same dilemma twenty years ago, has raged ever since, with its storm centre at Geneva, and has now been whipped up again by the renewal of war. Already, indeed, British students of the question have divided roughly into three schools of thought. There are some who believe that the League broke down because it was too ambitious. National sovereignty is still, they think, so deeply rooted in men's hearts that no more effective machinery for international co-operation is practicable than the holding of conferences between sovereign states on the model of the Imperial Conference between members of the British Commonwealth of Nations. Others would retain at the end of this war as much international machinery as was set up at the end of the last, but no more. Restore the League of Nations, they say, with such amendments of the Covenant as experience has shown to be desirable or create

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a new League if that be needed to secure the widest possible membership; but do not sacrifice the practicable to the pursuit of the ideal. Co-operation must still depend on the loyalty of sovereign states to a covenant. It cannot in the present state of world-opinion be enforced by their submission to a federal constitution. The third group agrees with the first in condemning the League, but for the opposite reason. It was not too ambitious, they say; it was too modest. A federal union is the only solution. National sovereignty has shown itself to be so dangerous an anachronism that it must be destroyed as soon as possible. For the control of international relations it must abdicate in favour of an international government responsible to a representative international assembly.

It is not the purpose of this article to examine these rival policies in detail. The problems of the League have been pretty well thrashed out in the course of the last decade, the organisation of the British Commonwealth is sufficiently familiar to readers of *THE ROUND TABLE*, and the preliminary discussion of the federal idea attempted in its two last numbers* showed that much time and thought are needed for the working out of any concrete plan. But one comment should be made here and now. For most of the disputants the ultimate objective is the same. Most of them believe that the common concerns of a shrinking world will some day be controlled by a common authority, and accept the fact which *THE ROUND TABLE* has consistently asserted in the past, that the only *final* alternative to war is law. As the British Ambassador at Washington reminded an American audience the other day, "The establishment of a true reign of law between the nations is the only remedy for war."† Thus the controversy is largely a matter of *tempo*, as to whether international public

* "Union Now," No. 115, June 1939; "Union: Oceanic or Continental," No. 116, September 1939.

† The text of Lord Lothian's speech is given on pp. 231-43 below.

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opinion is ready, or can be made ready without indefinite delay, to accept the bolder or the boldest plan. Would any champion of Conference or League reject a federal union if it were offered him? Has not the League always been envisaged as gradually solidifying through steady usage and spreading authority into a world-government? Do the Federalists on their side believe that a world-wide Union will be practicable at the end of the war? And if not, must not some co-operative system be retained or devised to bridge the gap? It is to be hoped, indeed, that the rival schools may merge their differences and unite in working out the concrete details both of a federal plan and of the co-operative system which is to prepare the way for it, and, if all goes well, to be transformed into it. But it must be clearly understood that it will be a transformation. That is the point where clarity and frankness are most necessary. The failure of the League was largely due to the number of its supporters who did not fully realise what it required of its members. Idealists supposed that it would give them perpetual peace without their being ready and willing to fight for it. Materialists regarded it as a convenient contrivance for enabling us to follow our own old path to our own old ends under the shelter of collective security. There must be more realism, more honesty about federal union. It must not be cried up as a new and easy method of escape from the facts that weigh us down. It must be made crystal clear that it demands much more of nations than the League, that there is indeed a transformation in passing from the one system to the other. Under the League a nation restricted its national sovereignty to the extent that it bound itself to act with other nations in certain ways in certain circumstances. In a federal union a nation's sovereignty will not be restricted in the field of federal affairs: it will disappear: it will be merged in a new international sovereignty.

Thus, in the last resort, the question of the character of the ultimate general settlement is a moral question. Con-

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stitutional machinery is of immense importance. It facilitates the operation of the common will. It confirms it in its purpose by the force of custom. But the will comes first. Without it no machinery can work. Where there's a will, on the other hand, there's a way: and the choice of the way must be determined by the strength of the will.

It is difficult to believe that the requisite moral strength will be lacking, when the time comes, in this country. Since the last war, our interest in international affairs has vastly increased. Nowhere has the League found wider or warmer support among the general public. Nowhere has the rising generation been readier to accept the doctrine that "patriotism is not enough". And there is a new incentive nowadays in the thought that other free peoples may be looking for a British lead. We are the oldest practitioners of national self-government: must we not be forward in the work of building international self-government? But it is not enough for the will to be genuine and strong. If it is not to lead once more to frustration and disillusionment, it must be informed, realistic, open-eyed. It must see the difficulties it has to surmount. Some of them will not be evident till the details of the settlement are thought out, but some are clear enough already. We must rid ourselves, to start with, of our insular aloofness. We must break, if we can, the habit which geography and history have made almost a part of our nature. An interest in foreign affairs is not quite the same as an interest in foreigners. We must make a real attempt to know and understand the peoples of the Continent and to look at Europe through their eyes as well as through our own. We must frankly recognise that a new international order may accord with British ideas of liberty and justice—there is nothing insular in those ideas—but may not accord with some British interests as they have hitherto been understood. It will not be, indeed, till we face up to it all that we shall see how hard it is to do what is required of us. And it will be harder still for the

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Dominions, so far removed from Europe. But the fact remains that, as far as the peoples of the British Commonwealth are concerned, the degree to which a better and safer world can be built up will be exactly measured by the degree to which they can break away from their old traditions of isolation and share in a common loyalty to a greater international society.

It is with the determination, then, as far as in us lies, to win the "after-war" to-morrow that we brace ourselves to win the war to-day. We do not know how long it will last or how much suffering it will inflict, but that we shall endure to the end there can be no question. Never before has a war been fought on so great an issue. It is for much more than our peace, our safety, our prosperity, that we are fighting: it is difficult indeed to realise how much more. Mankind is at a crisis of its destiny. It has long been recognised that the material power given to men by modern science was in danger of outstripping their moral power to use it right. That danger has materialised in Germany with terrible results. In the last resort we are fighting to save the human civilization, which we have been so long and slowly trying to build up, from suffering the same inhuman fate.

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AFTER an interval of twenty years the German War has now been resumed. In one sense, indeed, it was resumed in 1936 with the forcible military reoccupation of the Rhineland, and the overrunning of Poland marks the conclusion of a first phase of which armed intervention in Spain, the rape of Austria and the successive seizures of the Sudetenland, Bohemia and Slovakia, marked the intervening stages. The second phase, the real major war, is only now beginning.

I. THE PRELIMINARY PHASE: RHINELAND TO WARSAW

THE earlier stages of the first or preliminary phase may be briefly summarised. Each of these stages was marked by the employment of the same political-military strategy—that of the sudden seizure of a limited objective, leaving to possible opponents the alternative of acquiescence or else of facing the responsibility of initiating a general war. The first stage, the move into the Rhineland, was, from the military point of view, pure bluff, and it is now pretty certain, that if the bluff had been called and the French Army had marched in, the German General Staff would have recalled its troops and Hitler and all his plans might have collapsed. The seizure of Austria, again, was largely bluff, in so far at least as the defence of Germany's Western Front was still far from being effectively organised.

By the time of the Munich Agreement that defence had been greatly strengthened, though it is understood that General Gamelin, in response to more than one direct question from the French Government, expressed the confident conviction that he could break through it. At the

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same time the occupation of Austria made possible an almost completely enveloping attack upon Czechoslovakia. The fear that this attack would have succeeded before any decision could be reached on the Western Front and the Allied weakness both in aircraft and in anti-aircraft defence resulted in a surrender which the Allies were still able to cover up to some extent by a belated conversion to the German view of the merits of the Sudetenland issue and by calling it an agreed settlement.

Within six months the Agreement was torn up and German troops marched into Czechoslovakia, anticipating by some hours the so-called request for German protection extorted from a browbeaten and terrorised President. This time there was no shadow of justification even on racial grounds, nothing that could extenuate the ill-faith and brutal violence of the transaction. It was the last straw. It is true the Allies did not at once declare war, as they would have been fully justified in doing. But they realised that, unless they were prepared to fight, Hitler was now determined on one act of aggression after another. Either Poland or Rumania was clearly indicated as the next victim. Within less than three weeks of the occupation of Prague the Allies had given their unconditional guarantee to both of these States, as well as to Greece, in view of the Italian seizure of Albania, and had opened the negotiations with Turkey which resulted in a provisional agreement for mutual support in the Mediterranean area, since converted (October 19) into a definite fifteen-years treaty.

The Allied reaction no doubt came as an unpleasant surprise to Hitler and his *âme damnée*, von Ribbentrop. They had at once followed up Prague by forcing Lithuania to hand over Memel and by peremptorily informing Poland of the terms they would be pleased to impose on her in respect of Danzig and the Corridor, thinking, to quote Sir Neville Henderson, "that it would not add much to the general execration . . . if everything were done at once".

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Still, surprised and annoyed as they were, they could not at first bring themselves to believe that we really meant business, or that the Poles would act upon that assumption. All that was required was to repeat the policy of 1938, and to continue mobilising in the belief that at the last moment Munich would, in some form or other, be repeated. As the summer advanced the declarations of the Allied Governments and, even more, the effort to secure Russian support for the "Peace Front" must have raised doubts as to this reading of the situation. If so, they seemed resolved by von Ribbentrop's "master-stroke" of the Russian Treaty, announced on August 21 and signed four days later. To Hitler's consternation the Allies were unimpressed. For a week he hesitated, putting off the invasion of Poland which had been fixed for the night of August 25-26. Then he plunged, persuading himself that, if the Allied Governments declared war, it would only be to "save face", and that the swift wiping of Poland off the map would lead to acceptance of the accomplished fact.

In the early hours of September 1 the Germans invaded Poland. More than 2,000 aeroplanes swooped down on the Polish aerodromes and aircraft factories, on the vital railway junctions and on Warsaw and other centres of administration. All communications broke down. The Polish airmen put up a gallant fight, where they could, but, hopelessly outnumbered and cut off from all instructions, they could do nothing to affect the general situation. Before the Polish armies could begin either to resist or to retreat, the whole political and military organisation of the country was in hopeless confusion. Meanwhile the German armies, numbering some seventy to eighty divisions, began their concentric advance over the whole 800 miles of front from East Prussia to Slovakia.

The extreme flanking groups, pushing down from East Prussia towards Brest Litovsk and from Slovakia down the San through Lwow, were intended to meet and so close the

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net upon the whole of the Polish armies before they could fall back upon the difficult region of the Pripet Marshes. On the inside left one army group struck down from East Prussia towards the lower Bug east of Warsaw, another moved south-west up the Vistula to unite with an army group advancing south-east from Pomerania on Bydgoszcz (Bromberg) and so to close the Corridor before pushing on towards Plock and Modlin. In the centre a powerful army group advanced through Czestochowa towards the line Lodz-Radom, while on the inside right the troops from Southern Silesia moved eastwards through Cracow towards Przemyśl. The real attack seems to have been carried out almost entirely by the five heavily armoured *Panzer* divisions, the four light mechanised divisions and four motorised divisions. These pushed right ahead at full speed down the roads for their objectives, without waiting for the slower units either to keep contact or to cover their flanks. They were helped by perfect weather and by a summer so dry that even rivers like the Narew and Bug could be crossed by tanks and lorries. Low-flying bombers helped the tactical disintegration of their opponents.

The Polish General Staff had always realised that the salient formed by Western Poland could not be held, and had decided to fall back in a series of purely delaying actions upon the line, running roughly north to south, formed by the rivers Narew, Bug, Vistula and San. But they were caught completely unprepared both strategically and technically. Their general mobilisation had only begun on August 31 and was largely paralysed by the German air attack. The Polish armies had none of the equipment of fighters or of anti-aircraft or anti-tank guns required to meet a modern attack, and do not seem even to have made any serious effort to construct anti-tank obstacles. The armoured divisions just ran over them. Deprived of all central direction owing to the collapse of communications, without the power of local air reconnaissance, while themselves under

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constant observation, they were impotent to take advantage of the risks to which the German advanced columns exposed themselves. Broken up into unco-ordinated groups they made a gallant defence, and wherever they could fight under anything like equal conditions seem to have shown their superiority to the ordinary German troops of the line.

By September 17 the German net had not yet closed. The Polish Poznan and Pomorze armies, totalling thirteen divisions, had fought their way through the encircling German forces and were holding their own stubbornly in the Kutno-Lowicz-Skiernewicze area, still hoping to rejoin the strong forces holding the Vistula from Warsaw to Modlin. The German attack on Lwow was checked. Smaller Polish groups were making their way back somehow. There was, at any rate, still a possibility of continuing a resistance east of the line Lwow-Brest Litovsk. But on that same day the Russians marched in along the whole length of Poland's undefended eastern front.

So ended the first or preliminary phase of the renewed German War. The chief interest for our immediate purpose of the Polish operations is in the tactical lessons to be drawn from them as bearing upon the main war which is now beginning, or, rather, is now in preparation. The principal lesson, clearly, is that of the use of overwhelming superiority in the air, both to paralyse an opponent's whole national life and military organisation and to help the actual tactical advance. That the Germans have drawn this conclusion is certain, and we may therefore assume with some confidence that they will not wish to fritter away their present air superiority on any operations that are not directly connected with their main military effort, at any rate unless and until they are convinced that no military effort has any chance of success. More particularly is this likely to be the case now that our own defensive arrangements against air attack are so far advanced.

Nothing like so clear a conclusion can be drawn from the

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triumphant success of the highly mechanised divisions. It is at least possible that, given bad weather and unfavourable ground, they might have been held up, or that, in the absence of air superiority, they might have been outflanked and cut off by the Polish cavalry. The fate of the Italians at Guadalajara is at any rate a warning against over-estimating the value of highly mechanised forces except under topographical and other conditions favourable to their use. In any case the Germans were not operating against an army equipped to deal with mechanised warfare.

II. THE MAJOR WAR BEGINS

ON September 3 Britain and France declared war on Germany. The state of war has thus been in existence for over two months. But only at sea can it be said to have been actively conducted. There the Allied Navies at once took charge, and within a few days German shipping disappeared from the surface of the seas. On the other hand, the German submarines, already posted on their stations to intercept British shipping, also set to work immediately, and were able to record considerable initial advantages owing to the fact that our convoy system was not yet in operation. The attack was conducted with the same disregard for international law and humanity as was displayed in the last war. The first victim, indeed, the *Athenia*, was so maladroitly chosen that Herr Goebbels, in default of any better excuse, has tried to fasten its sinking on to Mr. Churchill. Hardly less significant of German methods has been the sinking, without excuse and with practically no warning, of neutral ships like the Danish *Vendia*.

Once the convoy system was in working order our mercantile losses by submarine action rapidly fell off, while our improved methods of detection and pursuit have made the game increasingly difficult and dangerous for the U-boat commanders. Something like 20 of the original German

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sea-going fleet of 60 submarines were sunk or captured in the first eight weeks of war, as against a total loss of some 370,000 tons of Allied and neutral shipping. In our own case the loss of some 240,000 tons represents a minute fraction of over 10,000,000 tons that safely reached port. Against these figures are set the 350,000 tons or so of enemy, or enemy destination, cargoes intercepted by the Allies, much of it of the first importance as material for munitions. There should be no reason to doubt the Admiralty view that the submarine menace to our shipping can be, if not eliminated, yet kept under effective control and is not likely to constitute a serious counter-blockade.

The success of the submarines in sinking two older warships, the aircraft carrier *Courageous* and the battleship *Royal Oak*—the latter a remarkable feat of audacious seamanship—should not invalidate this general conclusion. It yet remains to be seen what will be the effect on the situation of the activities of the commerce-raiding “pocket battleships”, *Admiral Scheer* and *Deutschland*, in the South and North Atlantic. So far they have not inflicted damage comparable to that done by the *Emden* in the last war, and it is unlikely that their refuelling arrangements will enable them to stay out much longer, even if they succeed in eluding our pursuit.

In this connection it is worth noting how much the Allies have to be thankful for in the fact that Germany was not allowed to retain her colonies after the last war. At that time those colonies played no immediate part in a naval strategy which was still concentrated upon a battle-fleet victory in the North Sea. Air strategy had not yet been thought of. Their actual military forces were inconsiderable. How formidable a part they might have played in these last few weeks organised for war, as they would have been under the Nazi régime, can well be imagined. They would have provided powerfully equipped and strongly defended bases

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for a naval policy devoted to submarine warfare and commerce raiding. Their armies and air forces would have threatened French West Africa from the Cameroons, and South Africa and Rhodesia from both South-West Africa and Tanganyika, as well as Kenya and Uganda from the latter territory. Even in the last war the German colonies involved a considerable diversion of effort. On this occasion they would have constituted a menace which might easily have affected the whole course of the war.

On land the French Army completed its mobilisation undisturbed, and presently, in a series of successful minor operations, advanced a few miles into the "no man's land" between the Maginot and Siegfried lines, occupying a narrow strip of German territory between the Moselle and the Saar and at one time almost investing Saarbrücken. By the beginning of October, as the main German forces began to come west from Poland, the advanced troops were withdrawn, leaving only a very thin screen. The Germans seem to have been unaware of this withdrawal for nearly a fortnight, but pushed forward in force on October 16. The French outposts thereupon fell back to the prepared main position more or less along the frontier, though not without inflicting fairly severe casualties on the attackers. Much of the ground regained by the Germans is now waterlogged, and the advance still leaves the Saar mines within range of the French guns.

While these successful, but intrinsically unimportant operations were in progress, the first instalment of the future British Expeditionary Army, over 150,000 strong, under General Lord Gort, was transported across the Channel and moved up to its allotted position on the French front unobserved and unmolested. More troops have since followed. The British Army on the Western Front is under the direct command of the French Higher Command. The unity of command which it took nearly four years to achieve in the last war has been accepted from the outset and has,

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no doubt, helped to contribute to the excellent relations between the two armies from top to bottom.

In the air both sides have confined themselves to minor reconnaissances. We led off with a couple of daring raids on German warships at Brunsbüttel at the entrance to the Kiel Canal and at Wilhelmshaven on the Weser estuary, losing a few planes, but inflicting serious damage on the battleship *Gneisenau*. We have also conducted a series of leaflet dropping raids all over Germany, as far even as Berlin, as well as low-flying reconnaissances for photographic purposes more immediately behind the German line. The Germans retorted with raids on our ships in the Firth of Forth and at Scapa Flow. The former raid was significant for the fact that the fighter squadron which brought down four of the attackers was manned by amateurs. In one of the latter the old *Iron Duke*, now a training ship, was damaged. Another attack by twelve German heavy bombers on a convoy resulted in seven out of twelve attackers failing to return, while no damage was inflicted. Altogether the German air force probably lost some 25 per cent. of the machines engaged in these operations. Judged by this standard it would seem as if the defence, in the shape of fighters and anti-aircraft guns, had definitely established its ascendancy over unescorted bombers, and that the warship, at any rate when in motion, has little to fear from air attack. But the conclusion, so far as it goes, is only valid against attack by small numbers, and we have yet to see what destruction might be achieved by the concentration of larger numbers, whether together or in rapid succession, upon either convoys or fixed objectives. The need for fighter escort would at any rate suggest that serious air attack against this country may—except as a last desperate measure—be postponed to the occupation of a more advanced position in Holland or Belgium.

No attempt was made by the Allies to use their air forces either to help the Poles in the first fortnight by attacking military objectives in western Germany or subsequently to

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interfere with the transport of the German armies to the Western Front. There can, of course, have been no moral justification for our refraining from operations merely because they might incidentally have killed civilians or destroyed private property, in view of the promiscuous nature of the German air attacks on our Polish Allies. Indeed our inaction in this respect undoubtedly created a bad impression in the United States and in other neutral countries, and was attributed not to humanitarian motives, but to fear of reprisals. It may be that the French Higher Command believed that more was to be gained by the undisturbed completion of their own mobilisation than by any possible interference with German troop movements. Our own Cabinet, too, may have been influenced by considerations affecting the transport of our divisions to France and the completion of our anti-aircraft preparations at home.

III. THE PROBLEM BEFORE GERMANY

WITH Poland disposed of Hitler is now at last up against the major war which it has always been his intention to avoid, or at any rate to postpone until both his army and his economic system were fully prepared for the task. What is his plan for dealing with this new and undesired development? Is it a plan worked out beforehand, like the plan of 1914, or is it still being improvised? In 1914 the German General Staff had everything in their favour: the surprise of numbers, due to the incorporation of their reserve formations in the fighting line; the surprise of direction, secured by the invasion of Belgium; the absence of any fortified positions to check them once Liège, Namur and Maubeuge had been overrun; the fatal error of the French attack in the centre.

This time there can be no such element of strategical surprise. The French Army, more than equal to the German in the number of its trained reserves and superior in the quality

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of its corps of officers, is waiting for the attack on the Maginot Line. That defensive system—an irregular line of underground battleships, each covering its neighbour with its flanking fire, drawn up in the midst of a zone of minor works, trenches, *chevaux de frise* and barbed wire—is the most impregnable yet devised by human ingenuity disposing of almost unlimited expenditure. Belgium has mobilised half a million men behind a system of frontier defence, weaker than the Maginot Line, but far stronger than anything at her disposal in 1914. Behind that the Franco-Belgian frontier has been steadily fortified for the last three years. Holland, though weaker, is also partially mobilised and prepared to set the flood waters in motion at a moment's notice. The Swiss are ready to dispute every inch of the narrow passage across their territory. Furthermore, the season for active operations, especially with armoured divisions, is already very late, particularly so in the low-lying regions of Holland and Belgium, and the weather, so favourable in September against Poland, has now turned wetter and more wintry.

On the other hand delay confronts Germany with serious disadvantages. Whatever her accumulation of reserves and hopes of trade with Russia and other neutrals, an added six months before the real issue is joined must be a strain on those resources and on the morale of a people already stale with years of over-organisation and depressed by short commons. Every month reduces the German margin of superiority in the air over the Allies, not to speak of what the latter may now buy from America in the way of machines, or of the reserves of trained pilots to come from every part of the British Empire. The temptation to strike now must be great, above all to a man in Hitler's position and of his temperament.

All the same it seems unlikely that his generals will consent to an immediate attack on the main Western Front, whether directly on the Maginot Line or through Luxembourg or

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Belgium, except in one contingency. That is the possession of some yet undisclosed weapon of devastating power, such as Hitler hinted at in his last Reichstag speech. A mere tactical device such as the bullet-proof duralumin armour with which some of the German infantry are reported to be equipped may or may not be useful, but can hardly be decisive. One possibility might be some method of creating artificial fog on a large scale, in the hopes of repeating the success of March 1918. Another might be the accumulation of poison gas in hitherto undreamt of quantities. There is reason to believe that Germany has for years been buying up arsenic, the basis of Lewisite and other poison gases. The possession of some such new element of surprise would greatly increase the probability that the attack might be made now.

To discuss in detail the precise point of attack in that contingency is hardly worth while. But on the whole it is most likely that it would be through northern Belgium by way of the so-called Limburg appendix of Holland. This would turn the Liège defences and be faced with no other serious obstacle except the Albert Canal from the Meuse to the Scheldt. The determination of the Belgian Government to remain neutral at all costs until actual invasion has taken place means that no French help could reach the frontier in time to meet a sudden attack. If the Belgian front then cracked, the German armoured divisions might sweep in a few days over the whole of northern Belgium to Antwerp and Ostend. Even if the Franco-Belgian frontier held, Germany would once again be in a position to conduct air attacks upon this country from bases 200 miles nearer and at a range which would allow of effective fighter escort to her bombers. The Belgian coal-fields and industries would once more be at her disposal, and she might always hope that this time she might retain her hold up to the end and treat Belgium as a useful hostage in settling the terms of peace.

Many of these considerations would apply to the more

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limited enterprise of seizing Holland alone, trusting to Belgian neutrality to cover the flank of the invasion. The Dutch estuaries, indeed, would offer much better facilities for submarine operations than Ostend and Zeebrugge. In the absence of any new weapon, such as was suggested above, this may, possibly, be considered a more feasible exploit—from a military, if not from a moral point of view—providing always, what now seems doubtful, that Belgian neutrality can be secured. Eastern Holland could easily be overrun. The flooding of the lower-lying parts of the country by a broad belt of water from the Zuyder Zee to the Waal, covering the industrial and maritime centres, would prove a serious but not necessarily an insuperable obstacle.

On the whole, however, it is still possible that Hitler may be persuaded to put off the offensive, probably until the spring. The kind of attack that appeals to the German mind, the overwhelming blow aiming at a swift conclusion, needs long and careful preparation. That preparation was made for the crushing of Poland. It can hardly have been available for an immediate second campaign under far less favourable circumstances. To improvise a *Blitzkrieg* may well be to invite disaster. Moreover, the dangers of delay may well be balanced by the superior organising power of the totalitarian state. If the Allies are now beginning to gain ground in aircraft construction, a new spurt in German production may prevent the present margin of numerical superiority being too seriously reduced. New submarine construction, no doubt pushed ahead vigorously as soon as the naval agreement with us was denounced last summer, may presently more than replace existing wastage. Mr. Churchill, at any rate, is making his preparations to meet a launching of two new U-boats a week. The provision of trained crews may, however, prove a serious limiting factor.

Above all, the immense existing plant for equipping the German Army can provide an expansion on that side far exceeding anything that British expansion can attain to in

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the same time. If Germany has, perhaps, 140 divisions equipped at this moment (Hitler spoke of 160 to Sir Nevile Henderson), she may quite possibly bring that figure up to 180 or more by the spring, and so hope to enjoy the kind of preponderance required for her purposes either in the West or elsewhere. Psychologically, while the Polish triumph has no doubt revived Hitler's prestige, the German people are probably anything but ready to face another and far costlier offensive, and may respond much more readily to the effort of intensified production and to strict rationing if persuaded that they are only working and enduring to defend the Fatherland against ruthless enemies who seek its destruction.

On the economic front, too, the German leaders may hope to counteract, or more than counteract, the Allied blockade, at any rate for some time. While our early efforts at war organisation have had the effect of reducing rather than expanding our own trade, the Germans have started well ahead of us with a big export push to all their neighbours, and have fixed up comprehensive barter agreements with Yugoslavia and other Balkan countries. The aim, indeed, is to create a new "continental system", including the Low Countries, Scandinavia, Italy, the Balkans and, last but not least, Russia in a single economic block. The weakness of the scheme lies in the fact that even so vast an area is short of many articles essential to the conduct of war as well as to its ordinary industries, *e.g.* cotton, rubber, petrol, tin and copper. But it would be dangerous to underrate its possibilities. Over a wide range of necessities the area is self-sufficing. In some cases, *e.g.* Russian and Rumanian oil production, German organising and technical ability may substantially increase existing output. There would always be the hope of indirectly securing some of the most needed articles through the neutral members of the block. Alternatively, too strict Allied rationing of these neutrals might throw them on the German side or afford a pretext for

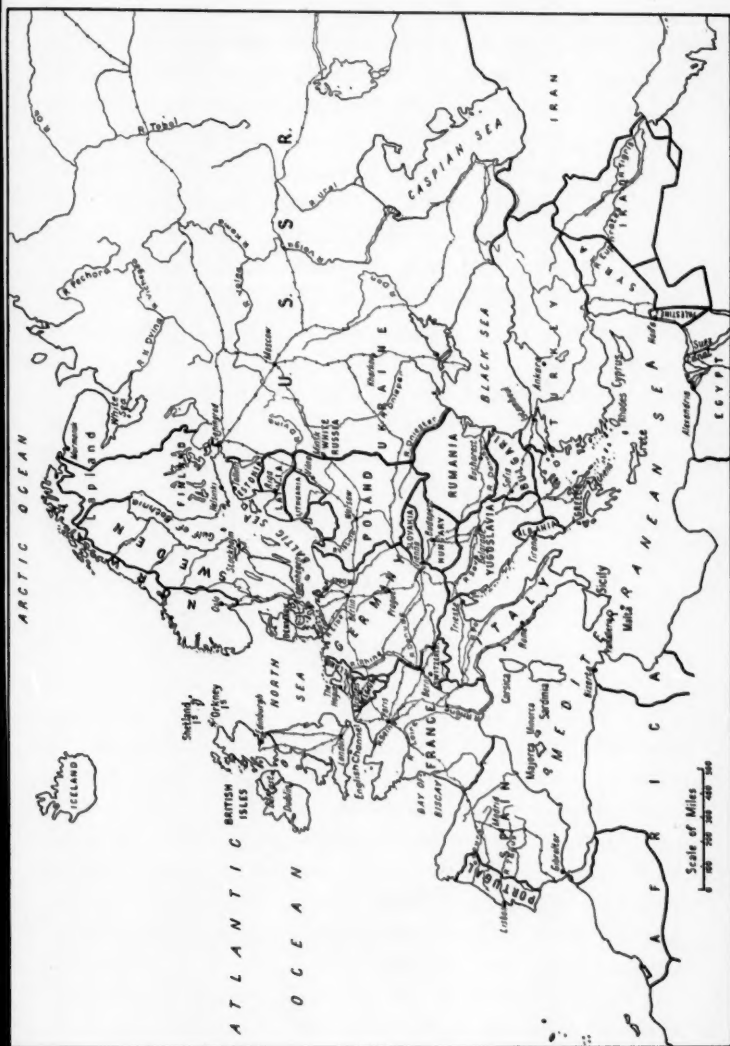
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German intervention to secure the direct control of their resources.

There are other problems of reorganisation, too, to which Hitler may wish to devote the next few months. There is the creation of a new ethnic frontier for Germany proper by bringing back and colonising, on lands from which Poles or Czechs have been evicted, the outlying elements of the German race. The Baltic Germans are now being brought back—a sorrowful end to 800 years of colonising and civilising effort and to dreams of German expansion along the Baltic in which the Führer was still indulging not so long ago. The South Tirolese are equally to be transferred, in so far as they have not discovered, faced by the unpleasant alternative, that love of home is even stronger than love of race. There are Germans to be brought back from both German-controlled and Russian-controlled Poland, from Hungary, Rumania and from Russia itself. There is the organisation of the proposed future Polish State or Protectorate, not to speak of the creation of a Jewish "national home" round Lublin. All these are tasks calculated to make a heavy drain on Germany's organising power and transport facilities. But they may all be worth doing now with an eye to the ultimate peace settlement.

Last but not least, there is always the hope of further international developments which may present the Allies with new problems. Italy and Spain have probably by now been written off as possible active allies, a price inevitably, though perhaps undesignedly, paid for the agreement with Russia. On the other hand, no one can say how far that agreement may yet develop into political as well as economic co-operation. Direct military aid may well be excluded. But Russia's ancient thirst for expansion, once awakened, may easily grow, and it is in Hitler's interest that it should grow in directions which may bring her into conflict with ourselves or into more active partnership with his own designs. We may hope that Russia's demands on Finland

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may be limited to purely local concessions affecting the security of Leningrad. But the possibility of a joint Russo-German plan for the coercion or even armed occupation of Scandinavia cannot be excluded. We may hope that Russian policy in the Balkans will be conservative and aimed at preserving Balkan unity and independence against German ambitions. But it is equally possible that the two dictators may be planning the partition of Rumania with Magyar and Bulgarian help, or even the acquisition of Constantinople and the Dardanelles for the one and of Sushak and Salonika for the other. Nor can Herr von Ribbentrop have failed to point out to his new Russian friends how favourably things are developing for the extension of Russian power over Iran or Afghanistan. Stalin may well be too shrewd to pursue so far-reaching and dangerous a policy, and rest content with what he has hitherto gained so cheaply. But he may not. Whatever the eventualities in that part of the world our alliance with Turkey and the building up of a strong Allied strategical reserve in Egypt, Palestine and Syria should enable us to meet them with confidence. But it may well be that the final and decisive stages of the war may be fought in the Balkans or in the Middle East and not on the Western Front.

It is still not improbable then—though this conclusion may be contradicted by events before these pages are in print—that Germany may mean to sit down to a winter of military, economic and political preparation with a view to striking out next spring in whatever direction may seem to offer the best prospects. We may then be faced with the possibility of a great offensive in the West. But if Hitler pursues his own habitual methods rather than the instinctive dictates of his military advisers, he may well prefer to continue—so long as food and raw materials and the spirit of his people hold out—the offensive-defensive policy of swallowing his weaker neighbours one by one, whether to exploit their resources more thoroughly or to use them as

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hostages. In the last resort, if there is nothing more to be done in this direction, and if there is no longer any hope of successful military action on a large scale, he may use his air force for a massed attack on this country. If and when that comes, the end will be near.

IV. THE ALLIED TASK

WHATEVER the arguments on the German side for giving the winter to preparation, on our side they are conclusive. We are not ready for an offensive. Our business, then, is to hold Germany while we constrict her economic life, build up our armies to defeat her's whenever and wherever she may try to break through, and above all develop the air strength which should make sure of the final victory and which should meanwhile be used to break the German morale. In 1914 neither we nor, in a sense, the French were given time to organise, and for us, at any rate, the first three years of war were years of continuous improvisation. This time, thanks to the Maginot Line, we have a much greater freedom to prepare methodically, a much greater eventual choice of initiative both in time and place. The danger, with us at least, is that we may not use the time given us as well as our opponents. The very absence of dramatic and terrifying events at the front, or over our heads, may confirm us in our leisurely ways, in our essentially civilian outlook, in our acceptance, in the sphere of government, of methods and personalities more suited to domestic politics than to the conduct of war. The watchword of a three years' war may have been useful as a reminder to ourselves of the scale of the task before us and as a warning to the enemy of our resolution. It will be our undoing if it allows us to forget that it is now, in these next few months, that the war may well be won or lost.

The creation of a British Army equal to our task is proceeding apace, in spite of the terrible handicap resulting

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from the refusal of the Government, up to the very last moment, to face the problem. In the absence of any system of universal service there has never been a plan for equipping an army on a national scale. Modern equipment, in the shape of tanks, field and heavy artillery, anti-aircraft and anti-tank guns, machine guns, motor transport, etc., has been ordered piecemeal over the last few months, as the possibilities of the situation could no longer be mistaken or ignored. When consequently universal service was introduced in April, it could, in fact, only be applied in the most limited fashion, and at the outbreak of war only a fraction of the first class called out was actually undergoing training. There is, indeed, a danger that the very fact that men can be called up when wanted may induce in the War Office a tendency to acquiesce in delays in the supply of equipment. The Kitchener method of 1914, for all the confusion which attended it, set a high standard of numbers from the outset, and forced supply, somehow or other, to hasten to overtake it.

Another possible danger may lie in an over-emphasis of the importance of the machine to the neglect of the need for men. We were the pioneers, after the last war, in the development of mechanised warfare, and there can be no dispute that the highly mechanised armoured division is, like the battleship, the most formidable instrument of war of its kind. But its full efficiency depends on supplies of ammunition and on road facilities which are only to be found in certain theatres of war. There are many parts of the world in which British troops may be needed before next year is far advanced where considerations both of sea transport and of local communications demand more lightly equipped formations. Even in the main European theatres it may be better, at any rate in some parts of the line, to have such troops as we can equip in time than to have no troops while waiting for the best. It is doubtful whether the need for men, for troops variously equipped for various

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tasks in many fields, as well as for wastage, is even yet sufficiently realised by the authorities in their concentration upon securing the most complete equipment. There is one form, indeed, of modern equipment which no troops anywhere can nowadays afford to be without. That is a sufficiency of aircraft and of anti-aircraft guns.

That brings us to the supremely important issue of building up the Allied air strength on which our hopes of victory must very largely depend. The question is how that growing strength can best be applied. Should it be conserved for the final decisive struggle or should it be used continuously to dislocate the organisation and shake the morale of our opponents? The view has been taken in these pages that the Germans, regarding their air force essentially as the advance guard and spear-head of their armies, dislocating the communications and rearward services of their opponents, will wish to conserve it for the decisive advance. From that same point of view they will wish to secure the greatest possible margin of superiority at the decisive moment by creating the maximum number of fighting squadrons at the expense of their reserves of machines and men. These arguments against frittering away their air force in minor engagements or—except as a last resort—in air attacks not connected with military operations are conclusively reinforced by the danger of exhausting a limited supply of petrol and of high-speed alloys.

To conform to the enemy's policy in this respect would surely be a mistake. Our policy should be to force on the German air arm a *guerre d'usure*, to compel the enemy by continual raiding to use up petrol and machines in defence and to provoke him to retaliatory measures which will use up even more. We have not the same reason for conserving our bombers in the immediate future, as we are not contemplating forcing a decision by an all-out land offensive, at any rate not next year.

These are considerations bearing on the material aspect

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of the situation. More important still are those bearing on the moral situation. Allied morale, the determination of free peoples to resist and to vanquish an aggressor, will—given reasonable organisation of our active and passive defence—be intensified rather than weakened by such damage as air raids can inflict. Very different will be the effect on an overdriven and underfed people like the Germans whose one moral support is the belief in the power of their Führer to protect them. To shake that belief by the continuous proof of Allied ability to destroy the instruments of Nazi military strength in the shape of munition factories, aerodromes, or stations, and to disorganise their national life, will be worth many victories in the field. Blockade alone will never bring about Germany's collapse, even less in this war than in the last. Her morale must be destroyed by the sense of impotence against attack at home or else by direct defeat in the field. And the first should be an essential prelude to the second. In certain circumstances it might even make the second superfluous.

Important as was the part played by economic measures in the last war, it will be even greater in this. But it will differ in character. In the last war it was mainly negative: direct blockade on the one hand and on the other a gradual rationing, based largely on our control of the coal situation, of the five neutral States—Switzerland, Holland, and the Scandinavian States—with which Germany was still in contact. This time the neutral zone round Germany is composed of many more, and relatively more important States. Rationing will be more difficult: to ration Russia or even Italy is quite another matter to the rationing of Holland or Denmark. What is needed is not merely a negative policy of restricting the supplies that might otherwise reach Germany, but a positive policy by which the trade of the neutral countries will be diverted from Germany, as well as a positive policy of maintaining and increasing our exports generally for a struggle which will have to be sustained,

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in the main, on a "cash and carry" basis. The effective co-ordination of these elements of a single task—as vital to our success as any part of our fighting front—is a complex affair which should occupy the whole-time attention of some member of the War Cabinet free from all other routine duties and which requires an organisation definitely adjusted to the problems involved.

But to pursue the question of governmental structure and personnel would carry us far outside the scope of this article. Enough to say that the effective organising, energising and inspiring of the nation so as to secure the very maximum, in every direction, of effort and production bearing directly upon the waging of the war is indispensable if we are to achieve success in a struggle whose dimensions, course and duration no man can foresee.

WAR ECONOMICS

I. THE ECONOMIC STRENGTH OF THE BELLIGERENTS

THE task of economic policy in war is to mobilise fully all available productive capacity and the accumulated real wealth of the country for the two basic purposes of (1) maintaining the supply of goods for consumption by the fighting forces and the civilian population at least at that minimum level that is necessary to sustain the war effort without impairing their health; (2) providing the maximum output of arms, ammunition and such other supplies as are necessary for the conduct of war. Into this latter category will also fall those capital goods which are needed for the production of military and essential civilian supplies and their transport to the locality where they are needed. The production of arms without the provision of an adequate supply of ships, machinery, &c., would not be sufficient for a sustained war effort.

Looked at in this light, the problem transcends the sphere of public finance as usually conceived. The strength of a country does not express itself truly in monetary terms which are a mere reflection, often a misleading reflection, of the underlying "real" position. The fundamental question is not how to divert into the coffers of the State by taxation or loans a portion of the national income. It is rather how the given productive resources of the community and its accumulated stock of capital assets can be mobilised for the task of prosecuting the war with the maximum effect.

In the present article, therefore, an attempt will be made to reconsider in the broadest terms the factors determining the real economic strength of a community. The conclusions of this analysis will then have to be applied to the

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position of the Allies on the one hand and of Nazi Germany on the other in order to form a judgment on the task confronting Britain and France. These conclusions will also suggest the policies and methods needed for mastering that task.

I. THE SOURCES OF ECONOMIC STRENGTH

THE productive capacity of a country is determined in the first instance by the volume of available manpower (including hours of work) and its productivity. The productivity of labour in its turn will depend on the organising capacity of the employers and on the skill of the workers on the one hand and on the extent of natural resources and the volume of accumulated capital equipment on the other.

The character of economic mobilisation will depend on the probable extent of the demand for war supplies and on the reserves of productive capacity which are at the disposal of the country. If the necessary effort cannot be achieved merely by relying on these reserves, then the current consumption of the community will have to be lowered in order to free labour for the purpose of producing military supplies. It must not be forgotten, moreover, that not all of these reserves are of a *permanent* character in the sense that they represent a potential addition to the capacity of the country to produce or acquire supplies necessary for the conduct of war. Some of these reserves will be exhausted by using them. Whether or not this use is nevertheless justified at any given moment will depend on a comparison between the future loss of real income consequent upon their use and the current sacrifice necessary to avoid it.

It cannot be emphasised too strongly that measures which merely have the result of stopping consumption or private investment (such as building or repairing houses) *do not by themselves solve the problem of war economics*. They are

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important *merely* because they set free man-power and capital for the production of essential supplies and for exports or because they decrease non-essential imports and therefore—other things being equal—permit the increase of essential imports. The negative measures which increase the potential powers available for the war effort must be supplemented by positive action. Labour which is dismissed from non-essential trades must be re-employed in essential industries or otherwise used to obtain necessary supplies. If such positive mobilisation does not take place, the whole sacrifice consequent upon the fall in consumption and private investment would be in vain.

The reserves of a country for the additional effort necessitated by the war consist in the first instance in its unemployed productive resources, primarily labour. It must be borne in mind, however, that it will be almost impossible to achieve a *net* increase in industrial employment if the military effort is to be in any way similar to that demanded by the last war. Stringent measures will have to be taken to increase productivity, such as greater rationalisation in industry and more overtime work.

Communities rich in capital have a further reserve though of more questionable permanence. The accumulated capital equipment of the country does not merely increase productivity. In richer countries a larger proportion of the labour and capital can be and is devoted not simply to the maintenance of current consumption and the upkeep of the capital equipment necessary for that purpose, but also to extend the capital stock of the community in order to secure economic progress. A rich country can therefore withdraw a greater proportion of its productive capacity from civilian, and devote it to "non-productive" military, purposes than its poorer competitor, before it has to lower its standard of life. It would, of course, not be prudent even in war time to neglect altogether the demands of technical progress even at some cost in the form of reducing current

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consumption. Otherwise the country would fall behind those of its competitors which are not engaged in hostilities, and the weakening of its competitive power might in the long, but not very long, run entail much greater hardship for the community than the additional current sacrifice which would be necessary to maintain the efficiency and productivity of its industrial system.

But supplies essential for the prosecution of the war can be obtained not merely by home production, but also indirectly by import from abroad, against the sale of exported products which are not needed for war purposes. This is the only way in which we can obtain some products, especially certain raw materials and foodstuffs, because their production in this country is either impossible or would be too costly. In these categories of goods the difference between the cost of production in this country and in countries more favoured by climate or geological accident is very great. Hence, if intercourse with those countries is not prevented by hostile interference, these commodities can be obtained at a much smaller expenditure of labour for ourselves by selling to them products in which the advantage is relatively more in our favour. In times of full employment of labour, when all our resources are being used to the utmost, the advantage implicit in foreign trade might be of decisive importance. The necessity of producing substitute materials, as in Germany, of using low-grade raw materials for the production of certain commodities, and of attempting to produce foodstuffs in an unsuitable climate or in poor soil, a necessity which faces countries which do not possess free communication with the rest of the world, is a decisive drawback in war economics. It means that the country in question is forced to use far more man-power to obtain identical results as compared with the country which is free to trade everywhere. Self-sufficiency may commend itself from an economic point of view to countries with reserves of unemployed

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labour as long as they still possess them. It can have no place in war economics when the difference between the productivity of labour may decide between victory and defeat. In most manufactured articles, however, this difference, at least in the case of great industrial countries, is smaller than in raw materials. The increasing international extension of technical knowledge and skill has tended to level, though as yet by no means to wipe out, the great discrepancies which existed formerly in this respect. There is, therefore, a wide margin of choice with respect to most manufactured goods between obtaining them directly at home or indirectly by export.

The possibility of obtaining essential supplies from abroad by exporting non-essential goods and using the proceeds to buy them is of the utmost importance for war economics. It represents the simplest method of mobilising for war purposes existing home industries which do not produce essential war supplies, by using their exported products to obtain armaments from abroad. There is yet a further important reason for using fully our export industries for obtaining war supplies, instead of depriving them of their man-power in order to increase our home output of war supplies. If we ceased to produce for our export markets during the war, our place would soon be filled not only by the increased exports of neutral countries but, what is far more ominous, by the growth of secondary industries in our former overseas markets. Once a secondary industry becomes established in a country, political pressure will keep it alive, however inefficient it may be. The temporary withdrawal from a foreign market due to shortsighted policies in war time is likely to result in its permanent loss. The maintenance of our export trade is, therefore, imperative both for the efficient prosecution of the war and for the safeguarding of the vital economic interests of the nation after the war.

Strategic and economic considerations will determine the

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choice between the increase of the home production of war supplies, including the supply of essential articles for home consumption, and the indirect method of mobilising manpower for our export industries and obtaining supplies through exports. The main strategic factor influencing the decision in the present war is whether the threat to the continuity of home production by the air is more menacing than the dangers facing transport of goods from and to overseas countries. If the air-threat is considered very acute, essential supplies particularly exposed to that threat will have to be produced in substantial quantities abroad, because, as we shall presently see, there are alternative, emergency methods of obtaining imports without current home production and export.

Economically the choice will depend on which of the essential factors of production is most scarce, what the most acute "bottleneck" is. If we must primarily economise in shipping space, our policy will have to be different from that which we ought to pursue if our main aim is the most efficient use of man-power. If again we were to find that our power to buy abroad was becoming limited, we should have to make still greater efforts to increase home production. In either case the character and the current state of our export markets will influence the decision, since favourable terms of exchange between our own products and those which we need abroad will affect both the need for shipping space (we can import dearer, but less bulky articles) and the productivity of our labour. This will, of course, vary with the price we get for our goods abroad. Nor can one lay down simple rules of precedence in these matters. In general our choice will be determined by four factors. (a) The volume and quality of labour available at home. We still possess considerable reserves in the shape of unemployed and leisured people. Their employment represents a net gain for our productive power. It is uncertain, of course, to what extent this reserve can be used to increase export, though it may be

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possible to use it (even though it would not be very productive) for home production of goods which would otherwise have to be imported, *e.g.* in agriculture. (b) The nature of the transport problem: *i.e.* does the import of semi-manufactured articles, *e.g.* copper instead of copper ore, and so forth, or products of a higher stage of production, *e.g.* meat instead of feeding-stuffs, save so much shipping space or labour as to offset the additional cost involved? (c) The productivity of labour in the production of goods which have hitherto been imported as contrasted both with its productivity in export industries and with the productivity of labour in the same industry abroad. It would be foolish to transfer cotton operatives to agriculture if their productivity on the land is very much lower than in the factories.

This will, of course, very much depend on (d), the state and absorptive capacity of our export markets. If our export industries were to have to lower their prices sharply in order to sell more, there may be no advantage in forcing the sale of exports, as the productivity of labour (*i.e.* the volume of the goods which we can obtain for the goods exported) may fall below its productivity in the alternative (and originally less advantageous) home production. It must not be forgotten, however, that our purchases from abroad are bound to increase the national income of the countries from which we buy, *i.e.* increase also their demand for our own products, though this may take some time to become effective. This factor must not be left out of account in deciding on our economic war plans.

These considerations make it plain that the planning of our economic war effort necessitates careful and co-ordinated research into the factors determining the productivity of our effort, among which the state of our foreign markets is, perhaps, the most decisive.

A further method of increasing the output of essential products is possible, at any rate for rich communities. They have to rely in the main on their current economic effort—

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home production and imports paid for by the export of goods currently produced. But they can also draw on their accumulated stock of capital assets. These capital assets again must be viewed not in monetary terms (*e.g.* the title to property, the ownership of shares, the possession of government securities or bank deposits) but as the accumulated real capital of a country in the shape of productive equipment (*e.g.* roads, railways, factories, houses, &c., together with stocks of goods).

Only by reducing the volume of accumulated stocks of commodities or by not renewing our physical capital equipment as it wears out in current production are we able to draw on the effort of the past so as to transfer the real burden of a present achievement "on to the future". By these means, if we are willing to adopt them, we are enabled to consume or use for war purposes goods without equivalent present productive effort in replacing them, and similarly to utilise for the same purpose the productive factors hitherto employed in maintaining our capital plants. This can be accomplished at little risk in some directions such as roads, buildings and the plant of industries which produce such non-essential goods as cannot easily be exported. In essential industries (including railways) the feverish rate of output will demand increased effort on the maintenance of plant if a sudden complete breakdown necessitating very considerable new capital investment is to be avoided. The fact that the Nazis for two years past have run the risk of such sudden calamities by concentrating all their productive effort on obtaining the maximum military striking power in a minimum of time was the clearest sign of their determination to pursue their policy of aggression. It should have been an irrefutable warning to those who professed to believe in the assurances of the Nazi leaders. No country that is not bent on catastrophic policies can incur the risks which are implied in the gradual but quickening ruin of its industry which results

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from failing to provide for the renewal and maintenance of its plant.

Lastly, apart from using its accumulated internal capital equipment a country can also temporarily supplement its own productive power by liquidating its claims on foreign countries or selling its foreign assets and, finally, by contracting loans abroad and using the proceeds to acquire essential supplies. By selling foreign assets or incurring debts abroad a country does determine by its method of finance whether the sacrifice necessitated by the war effort is borne currently or "shifted on to the future". The temporary alleviation of the war strain by the use of reserves accumulated abroad definitely shifts the burden on to the future. The future loss of real income, however, will in all probability not be restricted to the cessation of the income from these assets. If this country after the war wanted to maintain its imports on the level it could afford when it still had the income from the investments sold during the war, it would have to increase its exports to the extent that its foreign income had diminished. But, if the sale of its foreign assets had been necessitated by the reduction during war time of its exports rather than an increase of imports, it would almost certainly encounter difficulties in recapturing its lost export trade. And the *additional* increase in exports necessary to maintain imports at the old level could hardly be accomplished without a reduction in their price. There will arise, therefore, in all probability, an additional loss, the magnitude of which depends on the unwillingness of our former customers to resume the purchase of our products. If, as a result of the war-time loss of export markets, strong vested interests have grown up abroad which have the power of forcing their governments to protect them, this additional loss might be serious.

The unfavourable repercussions of the liquidation of our foreign assets would not end there. The control of foreign companies and the intimate connections to which they give

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rise not only tend to give decisive advantage in the export business but also lead to the establishment of an entrepôt trade in which the creditor country becomes the central agent of the producers. It gives rise to shipping, insurance and banking business, all highly profitable to the country which controls important foreign companies. The rise of London as a financial centre in the widest sense of the term was to a large extent due to its position as the main international creditor on short and long term. The annual foreign income derived from these functions before the world crisis beginning in 1929 was £80 millions, which together with a net shipping income of £130 millions was only slightly less than the return on foreign long-term investments at £250 millions. Together they amounted to not less, indeed probably more, than 10 per cent. of the national income. The loss of the greater part of this foreign income—which, as shown below, has already in peace time fallen by, say, £160 millions per annum—would have disastrous effects on the standard of life in Great Britain, and the Government's policy should be to avoid it by any means possible.

II. ECONOMIC WAR-POWER COMPARED

THIS analysis has shown the main factors determining the real economic strength of a country. The next task is to compare on this basis the position of the Allies on the one hand and that of Nazi Germany on the other.

The population of Nazi Germany and of the countries it has overrun is over 110 millions. The population of Britain alone is just over 45 millions, France some 42 millions. Thus the man-power available in Europe to the Allies is inferior to that of Nazi Germany. But this calculation disregards the British Dominions, India and the colonial territories of the two Powers. The share of the Empire and of the French colonies in the last war, both in the military and

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in the economic effort, was very substantial indeed. All signs point to the conclusion that in this second ordeal their contribution will not be smaller. Considering the high technical skill and the vast natural resources of these countries and territories, their participation (though exact calculation is not possible) shifts the balance of man-power definitely in favour of the Allies.

But the Allies possess other and even more important advantages. At least 30 millions of Czechs, Slovaks and Poles now under Nazi domination are bitterly hostile to the régime which subjugated them. They cannot be trusted by the Nazis. If they are compelled to labour for their temporary masters, they certainly will have to be strictly supervised, thus absorbing and wasting Nazi productive power. Their conquest is not an unmitigated gain. The Polish population, moreover, lost a large part of the small productive equipment which it possessed prior to the war, and its working efficiency is much less than that of workers in Britain and France.

Command of the sea gives another most important advantage to the Western Powers. Since its very inception the Nazi régime, in planning its preparations for war, has done its best to render Germany economically independent of overseas supplies. The reason for this drive for self-sufficiency which culminated in the so-called second four-year plan has often been misjudged in other countries. It did not arise inevitably out of the character of the new Nazi economic system. The rigid control of foreign trade and internal economic activity need not be accompanied by an uneconomic use of available productive factors. The reason for this policy, which, as we have seen above, necessarily reduces the productivity of the country, was wholly non-economic. Like the dangerously intense expansion of the armaments industries, it was due to, and another clear sign of, the preparations for that aggressive policy which the Nazis intended from the outset to pursue.

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They were aware of the vulnerability of their geographic-economic position and tried to render ineffective the blockade with which they had to reckon as soon as the peaceful countries decided to resist. When they came into power, they found huge reserves of unemployed labour and capital at their disposal. The mobilisation of these reserves enabled them to increase productivity per head of the *total* population. Hence the fall in productivity per head of those already employed—disregarding those not employed—due to this policy of self-sufficiency was not immediately apparent. In comparison, however, with foreign countries, such as Britain, this factor must be of considerable importance.

The more spectacular efforts in this respect, such as the production of synthetic rubber, wool, &c., are not really the strongest factors making for a fall in productivity per head, though the shortage of coal and electric power experienced in the last two years may be partly due to the uneconomically large demands for energy which are made by the processes involved in the production of these substitutes. Much more uneconomic and wasteful in man-power is the drive for self-sufficiency in utilising home-produced ores of poor quality and above all the drive for increasing the agricultural output. So much has been written in the last few years on the relative command over natural resources of the Great Powers that detailed statistics in this connection are superfluous. The tremendous superiority of the Allies in this respect is common knowledge. The help of Russia or the extension of Nazi dominion over areas rich in natural resources might in time mitigate this basic economic weakness of Germany. But an intensive international division of labour between the Nazis and Bolsheviks, which could ultimately increase the productivity of both countries substantially, is not possible in the short run. And the countries which Germany could subjugate, except possibly Yugoslavia and Rumania (though German domination over the latter would in all probability not be tolerated

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by the Soviet) are poor in capital equipment. Capital investment could there again increase output; but it would put a new, if temporary, burden on the Nazi economic system, which is already strained to the breaking-point. *If* the material wastage of the war continued to be small, *if* the political resistance to Nazi domination in the Balkans decreased, *if* Russian industrial affairs could be improved by the sending of technical missions alone, Germany's economic power in the longer run, say after two years of a quiescent stalemate in the West, might well improve. In the meantime, however, *provided they made a determined effort and used determined and efficient methods*, the Allies would have developed an overwhelming superiority in armaments. It would be the extreme of folly, however, to suppose that time alone without our own exertions is working on our side.

Nor is this all. The possession of great long-term capital assets secures Britain a foreign income which even after the painful losses experienced since the great depression amounts to some £200 millions. To this has to be added some £100 millions of shipping income and £35-40 millions other foreign income amounting in total, say, to £340 millions. Part of this unfortunately will be lost in any case as the result of the war. Nevertheless, considering the very high productivity of overseas countries and the low prices which have been ruling for the goods we import—they might change against us but are hardly likely to change so much as to alter the *orders* of magnitude concerned—the import surplus which we are able to carry, without an encroachment on our stock of capital assets abroad, by means of the above “invisible exports” may be considered equivalent to the net output of at least two million Nazi farm workers and very probably substantially more. It must not be forgotten, moreover, that the foreign income of a nation represents a net addition to the volume of goods available at home. The workers and the owners of the capital which is used in its production need no maintenance. Hence this income—from the

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point of view of national real income per head of manpower—is equivalent to the existence in Britain of workers and others who would otherwise be needed for its production *plus* the workers who would have to be employed to maintain them in housing, food, clothing, amusement and so forth. The real equivalent of our foreign investment income would therefore be the existence of some 3-4 million additional farm and industrial workers and of fertile land with a sunny climate stretching from the Wash beyond Holland and Denmark.

It must be remembered, however, that all these resources are used now by the population of this country in order to maintain its standard of living. Here lies the profound difference between present-day Britain and present-day Germany. German imports are paid for by German exports. British exports fall short in value of British imports by, say, £400 millions or over £1 million a day.

The foreign assets of Great Britain are usually estimated at roughly £4,000 millions *nominal* value. Some of these investments have seriously depreciated as a result of the economic crisis and of the effects of economic nationalism and, to some extent, because older industries and undertakings (such as railways or cable companies) slowly begin to suffer from a natural process of obsolescence and loss of earning power. Part of these investments are situated in countries which could not take them over themselves in greater quantity at short notice for lack of capital resources and they are not of such a character as to be capable of being sold to other creditor countries. Refunding operations (repayment of our loans by our debtors borrowing in neutral countries, &c.) and other transactions might enable us to mobilise part of our long-term loans to foreign countries. The *Economist* has estimated the value of assets which could be gradually liquidated in America and elsewhere at some £600 millions. To this has to be added the reserve of gold and foreign exchange in the Central Banks and

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Exchange Equalisation Accounts of the Allied countries. This should by now contain the privately owned foreign cash balances sold to them under the emergency legislation as well as the value of all French assets abroad. It may not be too optimistic to conclude, therefore, that the command of the Allies through their gold reserves and foreign assets over foreign man-power in case of need is somewhere of the order of magnitude of 5-7,000,000 man/years. This *net* addition is equivalent to the possession of more than 10, presumably somewhere between 12-15, million workers within the territory of the country for a year.

The foreign assets of Germany have never been considerable since the war. In 1931, the last year for which we possess reliable estimates, their capital value amounted to some £250-350 millions, *i.e.* less than Britain's total foreign income in one year. The liquid part of these assets had in all probability been used already in pre-Nazi days to repay debt. But some of the assets frozen during the crisis could be liquidated now. The Nazis have lately succeeded in evolving a new source of foreign exchange by forcing German minorities abroad to return to Germany. Their possessions are then taken over by the Nazi Government and sold to the country from which the Germans are recalled. The minorities in the Baltic States were the first to experience the consequences of this new practice. There are perhaps 2,000,000 Germans still scattered abroad in countries from which mass-emigration can be arranged or enforced. It would be foolish to dismiss the importance of this method completely. But it would be equally foolish to overestimate it. Considering the poverty of most of the countries in question, the difficulties in the way of, and losses consequent upon, such mass-liquidation of property in poor countries within a short period of time, £200 millions is the utmost on which the Nazis can count. It is likely to be very much less. In comparison with the reserves of the Allies and the demands of the war this is a trifling amount. The Nazis

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may also still possess some small reserves from the loot captured in Czechoslovakia and Austria. The Czech gold handed over to the Nazis less than six months before the outbreak of the war will have come in very opportunely. It is probable that Germany has now not less than £50 millions of really liquid assets, primarily gold, which could be used abroad in payment for goods.

It will be remembered that both the British and American Governments made huge loans to other belligerents during the last war. But apart from the fact that no means was found of repaying such debts, the neutrality of the United States puts any repetition of them out of court. Furthermore, under present American legislation no public, non-government loans may be made to any belligerent. Thus this method of supplementing current effort is not likely to play any part, at least until circumstances entirely change. Yet even so the Allies are in a better position than the Nazis in possessing an unshaken credit with private investors throughout the world. They can, moreover, utilise their command of the sea and their consequent position as the chief purchasers in world markets to obtain credit for at least part of their purchases directly from their suppliers. The Nazi Government has, of course, obtained the promise of some credit from the Soviet. How important this aid may become is difficult to judge. To provide it Russia could undoubtedly impose some additional forced saving on her population, and its national output could—given a reorganisation of its productive apparatus and the supply of skilled technicians—be increased within not too long a period. The Nazis will presumably also extort some supplies without payment from those countries whose geographic position places them at their mercy. But most of Germany's neighbours are not strong enough to open long-term credits for her. Though it is rash to prophesy on this point, it seems clear that the Nazis are at a very definite and considerable disadvantage even in this respect.

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It is necessary, however, to sound a strong note of warning. A rich man with plenty of securities may live well and abundantly on the income he receives from them together with the income he earns. If he is forced by some emergency to sell his securities, he can temporarily use the proceeds of their sale. Thereafter he has lost both them and the income from them and is in a much worse way than a poorer man living always within his means. This was the position the Allies had reached in March 1917. Had not the United States come to their aid and in the next eighteen months lent them some £2,000 millions, their war effort must have been greatly reduced at a moment of grave peril. Once the liquidation of foreign assets is accomplished and the credit of a country is exhausted, the extent of the potential maximum effort of that country will drop sharply even below its initial level, since with its foreign capital it has lost the title also to its current foreign income. This consideration should play if not a decisive—in war the achievement of victory is the only decisive consideration—at least a very important rôle in determining the Government, at the risk of any sacrifice demanded from the people, to conserve as long as possible its foreign assets and to accustom the country to live as far as possible on current production.

We may conclude, therefore, that the potential maximum limit of the war economic effort of the two democratic Allies is far superior to that of Nazi Germany. There is thus no reason for despondency or defeatism. We must now turn to the analysis of the actual effort exerted by the three countries. This analysis will indicate the magnitude of the tasks still facing Great Britain and France and help to determine the methods by which they can be fulfilled.

III. WAR PREPARATIONS COMPARED

THE high scale of Nazi rearmament has been known for a considerable period, though official budget figures were suppressed as early as 1935. Two methods are avail-

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able to foreign experts for arriving at a considered estimate. The first is based on financial statistics, the second on the statistics of employment. These independent methods yield estimates which closely correspond, thus tending to justify the methods used. The picture which presents itself is clear:

The Old Reich only

	1928	1932	1933	1934	1935	1936	1937	1938	1939
National income .	75·4	45·2	46·6	52·7	57·9	64·9	71	76	
Gross investment Rm. milliards	13·7	4·2	5·1	8·3	11·2	13·8	16	18·5	
Employment mil- lions (April each year)	18·8	13·0	17·4	18·9	20·0	21·6
Consumption goods 1929 = 100	..	76·3	82·6	92·4	88·2	98·7	104·6	112·5	116·8
Capital goods	..	34·4	43·6	72·6	99·4	113·2	123·4	136·2	147·8
		1933-4	1934-5	1935-6	1936-7	1937-8	1938-9		
Estimated lowest limit of expenditure on arma- ments out of taxation, loans and short term credits. Rm. milliards.		2·75+?	4·75+?	7·4+?	9·6+?	13·5+?	25+?		

The lower limit of the Nazis' total expenditure on rearmament since their arrival into power is Rm. 62 milliards. Hitler, announcing the attack on Poland, stated that the total expenditure of the Reich since 1933 on rearmament was Rm. 90 milliards. This is far above the amount obtained on the basis of known statistics and may well have been grossly exaggerated in order to impress and frighten the democratic countries. But it would be prudent for our purposes to assume that war expenditure in the six and a half years of Nazi despotism has amounted to some Rm. 75,000 millions or, say, some £5,000 millions. This is a staggering amount. The statistics of employment explain the mechanism, but do not detract from the magnitude, of this achievement. When the Nazis were put into power the number of unemployed had reached the catastrophic figure of over 6 millions. This unemployment was completely absorbed. The Nazis, moreover, forced into the production-process people who had

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never been employed before: women and girls, or men who had been artisans or employed in distribution and in other tasks which, while from the point of view of welfare were by no means unproductive, were not actually productive in material. The increase in employment (excluding the army) was over 8 millions, or well over 60 per cent. From 1934 onwards the increase in the output of consumption goods was only 15 per cent. The increase in the production of "capital" goods was 100 per cent. The private investment of capital, as we mentioned above, remained at a very low level. In certain directions it did not even cover maintenance of plant. The inevitable conclusion is that the bulk of the increase of employment, some 5 millions or possibly even more, was used for purposes of providing armaments. Consumption was kept down to a level only slightly above that reached in the depth of the great depression, by means of taxation, direct regulation and rationing, which cut down purchasing power in spite of increased output, enforced the saving of the remaining income, and canalised it for the purposes of the State.

British and French expenditure, at any rate in the first part of this period, was of an altogether different order of magnitude.

<i>Britain (£ millions)</i>	<i>1934-5</i>	<i>1935-6</i>	<i>1936-7</i>	<i>1937-8</i>	<i>1938-9</i>
National income	4,250	4,550	4,850	5,200	5,000
Defence expenditure	113.7	137	186	262	400
<i>France (frs. milliards)</i>	<i>1935</i>	<i>1936</i>	<i>1937</i>	<i>1938</i>	
National income*	172	189	212	250	
Defence expenditure	10.5	19.1	27.0	57.5	

Even if we convert the franc at the rate of Frs. 140 to £1 for the last two years, which is probably justified in view of the differences in the character of the Army and the lower level of wages, the combined annual expenditure of the two Allied countries does not amount to more than, say, £750 millions in 1938 and very much less before.

* The national income of France is almost certainly much higher than these official figures.

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The Nazis spent on war preparation at the rate of some Rm. 25 milliards, or some £1,500 millions per annum. This rate of war expenditure was equalled only in the third year of the last war by Imperial Germany. There has been no actual wastage in war weapons and ammunition, though it may be assumed that technical obsolescence has not been negligible. Thus the Nazis must have accumulated vast stocks of finished war-material. No account has been taken—as statistical evidence is not available—of the additional effort squeezed out of the territories which have been overrun and the loot there captured, but the policy of aggression must have paid handsome dividends.

National income in Nazi Germany has increased from Rm. 45.2 milliards to Rm. 76 milliards, *i.e.* by 30.8 milliards. State expenditure has increased from some Rm. 10 milliards to almost 39 milliards. The whole of the increase has been due to the expansion of State expenditure: but whereas in the first few years non-State expenditure increased faster than State expenditure, in the last year there was an actual fall of some Rm. 4 milliards in the former field. Consumption has not been allowed to increase much above the very low level of 1932. The Nazis seem to have utilised their limited resources to the utmost and to have succeeded in concentrating all their energies on increasing their striking power in the shortest possible time. The results of this terrific effort must not be underrated. It is their moral front that is weak, partly owing to the strain by which they have expanded their material force. The increase of output was canalised into armaments. In the same period of years the British gross national income increased from £3,000 million to £5,500 million. State expenditure increased from £700 millions to £1,050 millions only. Almost the whole of our net savings, amounting to some £500 millions in the more prosperous years, was used for private investment. Only in 1938-39 was there a considerable budget deficit, and even then it amounted to not more than £128 millions. The figures for

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the current year will, of course, tell a different story. But up to the very occupation of Prague the British economy was a peaceful economy in the sense that by far the greater proportion of the increase of the national income was allowed to go towards raising an already high standard of life.

We may now sum up. It is clear from the above considerations that the potential superiority of the Allies is very great, and, unless Stalin extends more effective and immediate help to the Nazis than is probable, overwhelming. No complacency is justified, however. All signs point to the conclusion that the Nazis have assembled huge stocks of weapons, ammunition and other necessary supplies, sufficient to wage war for some time, and, if the present quiescent stalemate continues, even for a long time. Nor must one underestimate the staying power of the Nazis, should they succeed in reorganising the economy of Russia and other neighbouring countries during that period.

It is essential, therefore, that the potential economic power of this country should be utilised to the utmost possible limit without any delay, notwithstanding that in the next period of war the Nazis will hardly be able to increase their economic effort, since they are already running at full speed, and mobilisation must under these circumstances have affected adversely their productive capacity in spite of the gains made in Poland. It is also essential to bear in mind that no sudden breakdown of Germany must be expected on economic grounds alone, though hopes for an earlier decision based on social, political, and moral grounds may be more justified. Hence our effort must be planned so as not to weaken our reserves of foreign assets in the short run. This consideration becomes decisive when we remember that the productive capacity of this country may be interfered with by enemy action. The existence of reserves enabling us to use the productive power of overseas countries thus stands out as the most important point of superiority over Nazi Germany and the vital factor in winning the war.

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II. BRITAIN'S ECONOMIC PROBLEM

I. THE MAGNITUDE OF THE TASK

IN the first part of this article an attempt has been made to analyse the comparative economic power of the belligerent countries. The basic superiority of the Allied Democracies was found to be very great. The comparison of the actual effort exerted in preparing for the trial of strength did not yield as favourable results. In Great Britain the standard of life has risen phenomenally since 1933 owing to the recovery in business and the expansion of production, and France until recently has been suffering from the consequences of mistaken economic and monetary policies, while Nazi Germany has concentrated almost the whole of its expansion of production (which was of the same order of magnitude as that in Britain) on rearmament. This analysis indicated that in order to secure a superiority in striking force our total military expenditure would have to be increased to at least £2,000 millions per annum.

Any increase in the available reserve stocks of raw materials, foodstuffs, and finished goods both for the purposes of export and for home consumption (reserves which seem to be essential in view of the possible interruption of production and transport by enemy action) should, if at all feasible, be additional to this £2,000 millions.

It has been shown that this increased effort in war production can be achieved either by mobilising existing but idle reserves, *i.e.* increasing total production, or by lowering the standard of life. In the following pages an attempt will be made first to apply these considerations to Great Britain,

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secondly to establish how far the measures already taken by the Government can be said to exhaust the task, and finally to determine what further steps or different policies, if any, are desirable to increase the effectiveness of the war effort or minimise the sacrifice required.

II. NATIONAL INCOME, CONSUMPTION AND WAR EXPENDITURE

THE gross national income of Britain has been estimated at some £5,100 millions in 1937. It consisted of:

	<i>£ millions</i>
(1) Consumption of goods and services by private persons minus indirect taxes	3,700-3,900
(2) Maintenance of the existing capital equipment.	400(?)
(3) Net investment, <i>i.e.</i> increase in the capital equipment of the country or in the volume of stocks	450-500(?)
(4) Government expenditure on goods and services	475

Not included in this estimate of the national income are services which are rendered without payment, *i.e.* all work accomplished within households. This, as we shall presently see, is an important consideration for the war economic problem.

In the financial year 1937-38 defence expenditure amounted to only £266.1 millions. The war budget provisionally contemplates an expenditure of some £1,250 millions. In the first part of this article £2,000 millions seemed the figure which would be necessary in order to win the war. The rise contemplated by the war budget is roughly £1,000 millions, and if the assumptions here made are correct it must reach £1,750 millions. The last three budgets imposed new taxation which raised the standard rate of income tax to 7s. 6d. in the £ and the maximum rate of surtax to 9s. 6d. in the £. Yet even if the fall in revenue due to the slump in 1937 and the consequences of the war on tax revenue are disregarded, these increases will only bring in some £260 millions in a full

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year, or only a quarter of the increase in expenditure contemplated by Sir John Simon.

If taxation is not increased and the budget deficit rises above the flow of savings, prices must rise as private demand and state orders compete with one another for the available supplies. The rise in prices leads to demands for a further increase in wages and a vicious inflationary spiral. Too much has been written on the dangers of this contingency to need detailed elaboration. In what direction can the solution of the dilemma be found?

The first possibility is an increase of production. This will not be easy. We can re-employ part of the male labour now unemployed. There will be some small inflow as a result of the natural growth of the population. But the needs of the army will heavily reduce the man-power available, even if we need not contemplate such an appalling drain on man-power as in the last war. There has been a considerable progress in the technique of war which will necessitate a far greater industrial employment per head of the fighting forces than was the case in 1914-18. On the other hand, the strategical position of the Allies may worsen if countries now neutral join the enemy. Finally, if Britain does not contribute a considerable army for the common defence in the West, France will have to keep a larger army in the field than would otherwise be necessary. It can hardly be doubted that a mobilisation on the scale France has had to undertake seriously weakens the productive power of a country. In deciding the quantity and quality of our effort the economies of the two countries ought, therefore, to be treated as one, if the maximum effort is to be achieved at the smallest cost: for instance, the demobilisation of French skilled workers may well increase common output more than the enlistment of an equivalent number of less essential workers by Britain would lower it.

We must, in all probability, reckon with a slow but steady diminution of the male labour force of the country by some

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2.5 millions. This diminution of man-power must be offset by the employment of women not now occupied if production is not to fall. The possible expansion of the number of women at work has been variously estimated at between 4 and 6 millions. Considering that women with small children can hardly be employed in production, and the difficulties arising out of evacuation and so on, even the smaller figure seems optimistic.

Some additional production could be obtained by lengthening working hours. And measures could be taken to increase productivity or rather to prevent dilution by female or untrained labour from depressing it unduly. If the influence of these factors is analysed the biggest probable increase in the national income may be guessed at some 15 per cent., or say £825 millions. When the fighting forces are at their full strength it does not seem likely to be more than 5 per cent., or say £300 millions. Even if the whole of the increase is devoted to the production of war supplies (or to exports paying for the purchase of supplies from abroad) the deficiency in the long run (*i.e.* when the services have expanded) remains somewhere between £700 millions on the war budget estimates of expenditure and £1,450 millions (*i.e.* £1,750 millions minus £300 millions) if the war expansion which was contemplated in the first part of this article has to be reached.

There remains, however, a second internal reserve of productive power. This consists of labour and capital in those industries normally engaged in maintaining and extending the national capital equipment. This could, as was explained above, within certain limits of safety be used for war production.

These industries were estimated to employ in 1937 £400 millions for replacement and £450-500 millions for additional new equipment and capital goods including services. Expenditure on replacement could hardly be reduced by more than £200 millions, as the intensive war-production

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would certainly increase the wear and tear of machinery. In the main only house and road repairs can be postponed safely.

But a considerable proportion of the money now spent on the improvement and extension of plant and other capital such as roads, houses, ships, &c., could be redirected into war-output. If we have regard, however, to the necessity of increasing our merchant fleet, undertaking further A.R.P. measures and permitting some new private capital issues both to meet changes necessitated by war and to prevent a sharp reduction in the competitive power of the export industries, too low a figure must not be assumed. War-damage may also arise in a later period of the war and require further expenditure on plant and other capital goods. At most we can divert £350 to £450 millions out of the present total of new savings of £450-500 millions which formerly purchased this new equipment, capital goods and services. A diversion of £300 millions may seem at once more conservative and more correct.

The contribution to the war effort from these sources, which do not necessitate a cut in current consumption, will therefore at most be £550-600 millions per annum, probably only £500 millions. This diversion of resources from peace to war purposes may not be possible without great difficulty. Unless the transition is carefully planned and the labour is so used as to necessitate the minimum of shifting between industries—that is to say, unless a carefully worked out schedule of reserved occupations is put into effect and the juvenile labour coming into production is distributed according to plan, a considerable fall in production will be unavoidable. On the other hand, measures can be taken to rationalise production and distribution and cut down waste. This would offset the unfavourable effects of the shifting and dilution of skilled labour. It may be hoped that this factor will play an appreciable part.

By mobilising all available male and female labour, by

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taking measures to increase efficiency in spite of dilution and replacement of male labour by female, by lengthening the hours of work and finally by postponing all maintenance work and replacement not absolutely required and restricting expenditure destined to improve or expand the national capital equipment to the barest minimum necessary for the conduct of the war, we may at best provide an additional £1,325-1,425 millions for military expenditure (including, of course, the building and equipment of munition factories, &c.). Of this amount, as we have seen, £825 millions are derived from the possible increase in total output and £500-600 millions from diverting the production of capital goods from maintenance and improvement to war production.

But in fact it is hardly probable that more than £800 millions would be available from these sources—*i.e.* only £300 millions from the first and £500 to £550 millions from the second source *after* the full expansion of the fighting forces has taken place. Assuming that defence expenditure of £2,000 millions will be needed, there still remains £375 millions in the first period and £950 millions to be found at the later stage. This can only be secured by reducing consumption. These two figures represent 10 and 24 per cent. respectively of the national consumption of 1937. If the Government did not succeed in increasing total output at all, the decline of consumption necessary to accommodate the rise in war expenditure would be crushing. If the cut is not accomplished by a co-ordinated and planned effort, but if, as now seems to be happening, it is left to a rise in prices to eliminate buyers, it will inflict intolerable injustice on the poorest section of the community least able to defend themselves by exacting wage increases.

The steps by which civilian spending on consumption and capital goods will have to be reduced should depend on, first, the essential or non-essential character of the need which these goods supply, and secondly on the ease with which the

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industries or their man-power can be transferred to war tasks (including the possible saving on imports or increase of exports). The less important needs which compete most with war production will have to be eliminated immediately. The cuts in consumption and in use of capital by private *entrepreneurs* will have to be extended as and when the plans devised to increase war production mature and work is available for those who are dismissed in consequence of the limitation of private spending.

The importance of this analysis is to bring out clearly the vital necessity of a co-ordinated, determined effort to increase production and the necessity of reducing consumption of all classes, including, unfortunately, that even of the lower income classes.

The whole increased purchasing power accruing to the population taken as a whole as a result of the expansion of employment will have to be diverted to the state either by loans or taxation. The productive power "set free" by a cut in consumption or private investment in plant must be immediately re-employed, or inessential imports replaced by essential ones, if the sacrifice is to be effective. Whether the man-power set free is shifted directly to the production of essential war supplies, or whether its present products now consumed at home are exported and essential supplies are obtained by exchange, will depend on considerations analysed in the preceding part.

The results of this analysis need not give rise to undue apprehension about the standard of living of the population even in the period of maximum war effort. Money estimates of the national income do not include unpaid services performed within households. Nor do they take account of the present wastage of a considerable part of the commodities and services which are purchased. Harder work at home and the elimination of waste in households can go a very long way to offset the effects on the real standard of life of a reduction in consumption. A reduction of the quality of

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consumption may be imperceptible, but may result in considerable saving, for the community as a whole, of man-power required for production. If we reflect, moreover, that the rise of the standard of living since 1932 has been greater than the cut now required, the outlook seems reassuring, provided the sacrifice is planned consciously and distributed equitably.

Additional war supplies can be obtained without an equivalent cut in consumption if we can, by the sale of our foreign capital assets, increase our imports regardless of an equivalent increase in exports. In 1937 our balance of payments as drawn up by the Board of Trade already showed an adverse balance of £56 millions. In comparison with that year our terms of trade will probably deteriorate if energetic measures are not taken. This adverse movement may well cause a loss of, say, £50-80 millions on our exports, *i.e.* the same volume of exports will buy less imports. Our shipping income will fall considerably because of the disturbance caused by the submarine warfare. The income from miscellaneous services has greatly diminished as a result of the imposition of exchange restrictions. The income from foreign investments has also fallen, though to a very much less extent. The prospective deficit in our balance of payments, even without direct armament purchases from abroad, or a deterioration of our export trade, might well be of the order of £150-250 millions per annum. An increase of this deficit cannot be contemplated except in the direst necessity. On the contrary, a determined effort must be made to reduce it. This will only be possible if there is a similar reduction in consumption of imported goods, or an increase of the export of home-produced goods now used for home consumption.

A further emphatic warning seems necessary at this point. The throttling of imports by exchange control alone, without the maintenance or, rather, restoration of equilibrium between defence expenditure and civilian spending on the

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basis of our available productive power, is useless. If civilian purchasing power is not reduced or diverted from consumption, such control of imports will merely raise internal prices and result in a fall of exports. The resulting deficit will be the same, except in so far as the throttling of imports increases total home production. A depreciation of the currency does not restore equilibrium as long as real consuming power is not cut and if a rise in prices is followed by an equal increase in incomes. It only acts through a fall of consumption, *i.e.* an increase in prices without a countervailing increase in wages. Its action, of course, is pernicious because its incidence is haphazard and because, for a country holding vast amounts of foreign loans, it reduces the foreign real income.

It is certain that, if the Government does not take immediate steps to increase production at all costs, if it does not control consumption equitably, the resistance to unplanned and hence unequal sacrifices will be great. Hence there will be an inevitable tendency to postpone the necessary cuts in consumption and to use our foreign assets to maintain this precarious and basically unsound position. Whilst our foreign exchange reserves are high, the potential drain resulting from such a policy may—and not too slowly—reach proportions which will endanger them. Considering possible future contingencies, considering the increased difficulties of later action and the magnitude of the threat which would result to this country from a really large diminution of our foreign assets, immediate action seems vital.

III. THE PRESENT POLICY

A GREATER part of our present problems would have been eased, if not eliminated, had the pleas of experts such as Mr. J. M. Keynes, Sir Arthur Salter and others been acted upon. We should possess stores of raw materials and essential finished products at home, and we could have

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captured the derelict markets of the Nazis overseas. This, unfortunately, is not the case.

Yet the first days of war revealed that an impressive preparation had taken place and that the Government was striving to avoid the mistakes committed at the beginning of the last war. Severe restrictions, prohibitions and licensing provisions followed each other.

The result is almost all-pervading. There is a control of foreign exchange transactions. All foreign balances are to be surrendered, all foreign assets declared. The overseas supplies of Germany have been cut. Stringent taxation has been instituted and a "black-out" decreed which further discourages consumption and production also. Central control over some vital supplies has been established. Prices of the most important commodities have been fixed, and fixed at a low level. Even in the case of commodities whose price is not fixed the rise of prices is being discouraged and profiteering has been proscribed altogether. New capital issues and foreign trade have been made dependent on Government permission. A complete revolution in the whole economic system has been accomplished. There are still loopholes in all these restrictive measures—especially the foreign exchange and commodity control. But in spite of this a picture of thorough Government regulation is presented.

But this Government control is mainly, if not exclusively, negative. The vital positive action stimulating production has, except for direct Government orders for military supplies, been completely absent. Restrictive regulations, however necessary and excellent they may be from a sectional, departmental point of view, are insufficient.

Their immediate effect could not be but unfavourable.

1. Export trade was depressed far below the level compatible with the military and shipping position. Germany's terms of trade improved in contiguous countries for lack of British competition (take, *e.g.*, coal and textiles in Scandinavia). We were not able to capture Germany's foreign markets.

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2. The considerable foreign income accruing to the London market in return for various services must be considerably reduced because of the operation of the foreign exchange control.
3. The "black-out" has decreased the productive capacity of the country and ruined certain industries.
4. Price regulation was attempted without any effective control of supply and demand; thus widespread friction was caused and stocks of certain goods frittered away.
5. People's earning power was destroyed without their being used in the war effort. At the same time no effective steps were taken to control current consumption and prevent hoarding of essential commodities. Unemployment increased, but retail sales expanded.
6. Government expenditure is rapidly growing. If at present private spending is depressed for other reasons, it will probably rise again, thus endangering the stability of the price level and of the economic war effort.

The contradictory policies which were followed, and the paradoxical position indicated, for instance, by an actual increase of unemployment, have stimulated a determined and not altogether disinterested attack on the system of controls in general. Some people believe that an increase in national production and of the effectiveness of the war effort could be secured by "freeing business from unnecessary restrictions" and by "strict Government economies". Closer analysis of the position suggests that these hopes are largely based on fallacies.

In the first part of this article it was indicated that pettifogging economies are useless if the man-power set free in consequence is not immediately re-employed.

In the absence of controls and with the experience of the last war and post-war period still vividly in the minds of everybody, it would have been difficult to avoid a scramble for commodities, foreign exchange and other "real assets" if the principle of the freedom of markets had been maintained. Heavy taxation and deflationary credit policy could not have prevented depositors and others from using their

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liquid resources. The "free interplay" of economic forces would have meant an intolerable worsening of the position of the poorer classes, as the *entrepreneurs* faced with the unknown new risks resulting from the war would not have ventured their capital unless they could count on high profits. *Laissez-faire* is a policy wholly incompatible with the social and political necessities of war.

Certain direct controls over economic life were therefore essential to conserve our economic strength. But in an economic system so completely regulated, restricted and controlled as the British economy has become the motive power of a free economic system cannot exert its stimulating influence. When prices are controlled and such profits as are left are taxed away, whilst uncertainty about the future, especially about future earning power, is considerably increased, the individual *entrepreneur* does not and cannot be expected to venture his own capital. The state may take away his profits but is not going to guarantee his losses. Small wonder if he prefers to discontinue production unless he obtains direct Government orders. These are forthcoming in increased volume. But if we wait until the increased employment on war production raises civilian demand, vital time will be lost and productive power wasted. When this point is reached, moreover, far stricter controls will be necessary than would suffice now. Nor would this method solve our foreign exchange problem. There would be no stimulus for expanding exports, unless sterling were to be depreciated further in order to increase the attractiveness of selling abroad. But a process of repeated depreciation is a dangerous weapon in any case, and fatal for a creditor country. All obstacles to business not prejudicial to the conduct of war should be removed. But it would be far too optimistic to assume that without positive stimulus that effort can be achieved which seems necessary to win the war.

THE METHOD OF ECONOMIC MOBILISATION

IV. THE METHOD OF ECONOMIC MOBILISATION

IT is not possible in this context to try to determine in detail policies which must be followed to achieve the greatest possible effect. Nor can the organisation be described which is necessary to elaborate policy and secure its efficient application. Most of the measures necessary follow from the analysis of the task and of the policies hitherto adopted. It is not enough to prevent export of capital, to cut off Nazi supplies from overseas, to increase taxation and discourage private spending and investment. We must increase exports in order to replenish our exchange reserves and keep our overseas markets. We must wage an active economic warfare weakening the Nazi hold on contiguous markets. We must have and put into effect a co-ordinated plan for increasing the output of exports, necessities and armaments over a period of years at the smallest cost. We must have a thorough inventory of available man-power and capital equipment, a continuous study of export markets so designed as to minimise losses and delays. Measures are required to begin the training of labour in order to be able to expand production. It is not enough to wait until the rise in prices or the loss of present employment forces women into essential industries. A clearer initiative has to be taken. At the same time measures must be devised to minimise the resulting inconvenience to families by establishing and expanding welfare services. The task of increasing production must be tackled on the basis of a logical plan or otherwise friction arises and valuable time and energy is wasted. The time factor is a vital consideration in war.

(a) *Production*

The present impasse in production, which has already resulted in considerable waste, is due—apart from direct restrictions—to the uncertainties facing the *entrepreneur*. This must be eliminated by co-ordinated planning and

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co-operation with industry and commerce. The conversion of industry for war production should be organised in such a way as to minimise the loss to the community, *i.e.* non-essential industries whose products cannot be exported should be converted to war production first and their man-power diverted to the fighting services and other industries.

The effective reorganisation of production for war supply on a basis determined by the considerations discussed above will take time. But already during this period the full productive power of the country should be used for the prosecution of the war. Non-essential home consumption should be restricted in all commodities which are exportable or needed for war purposes or which involve unnecessary imports. For commodities which can be exported measures must be taken to prevent their production being discontinued owing to the restriction of home consumption. It may well be that sales abroad cannot be organised immediately. The opening of new overseas markets takes time. In that case exportable products might possibly be stocked, preferably abroad, outside the area vulnerable to air or submarine attack. This is our only method, however difficult it may be, of accumulating potential foreign exchange reserves. The same consideration applies to the production of essential supplies for the home market. Stocks of goods for essential home consumption should be assembled in relatively non-vulnerable places, if we are able to produce or import more than we need at the moment. The fact that production or available imports are for the time being higher than rationed consumption is no reason to increase consumption before considerable stocks have been assembled. The view that rationing is to be imposed only after shortages have made themselves felt is paradoxical and extremely dangerous. Rationing must be imposed to safeguard the even flow of supplies in future and to equalise sacrifice at present.

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(b) Exports

In peace time two methods are usually applied to increase exports. They are deflation and depreciation. The first consists in reducing home demand for the product of industry by taxation or credit restriction. This method is impracticable now. Or exports could be stimulated by depreciating sterling, that is to say by increasing the price in terms of sterling of goods sold abroad. This method also has serious drawbacks for war economics. Its psychological repercussions are unfavourable. And it may arouse American hostility. Nor would it—unless we depreciated the pound sharply—make exports attractive enough to employ *all* available manpower. It tends to cheapen the whole of our exports abroad whether this is necessary for increasing our sales or not. It also tends to increase the price of all imports. The rate at which we could exchange our products for foreign commodities would therefore worsen if we depreciated the pound. And we have seen that it is, to a large extent, on this rate that our power to wage war depends.

There are industries which could profitably export even in present circumstances. All obstacles in their path should be cleared away. But there are others which cannot at the present level of prices and costs face the increased risks of export. These industries should be given direct Government help. Their products should be bought at fair prices by Government-controlled export companies which could organise their sale abroad. We have already mentioned the importance of taking steps to use the productive power now wasted by means of the accumulation of stocks. These export companies could be charged with the task. The Government has bought the Australian wool clip. Why should that method not be used to maintain and increase our vital exports?

Steps must be taken to induce the countries from which we obtain our supplies to purchase from us at not too

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unfavourable prices. There are several methods by which we can generally persuade foreigners, now that sterling is strictly controlled, to buy from us if they want to sell to us, and there are few large buyers left on the world market. They should be used firmly.

(c) *Consumption and Financial Policy*

Internal financial measures when a full system of direct controls is in force are, from the point of view of war economics, almost irrelevant. The question whether there can be "inflation" in such a system (a problem which has been discussed *ad nauseam* with respect to Germany) is beside the point. If the powers of control over consumption and private expenditure on capital are made effective there can be no inflation: the individual is not permitted to use his purchasing power beyond his rations: if he earns more he is forced to invest the rest in Government securities or to hold increasing cash balances, *i.e.* to hoard. The method of finance has its importance, not economically but socially. A system of all-pervading rationing and controls is not only irksome and wasteful, it is also less elastic, less able to withstand shocks than a freer system. Hence rationing ought to be restricted to essentials. This will not be possible without inflation, *i.e.* without a rise in prices, if private incomes available for expenditure are not reduced to the level at which they can only just manage to purchase the reduced volume of goods and services available for consumption at the existing prices. Identical results can be achieved if the population can be induced to refrain voluntarily from using in the purchase of goods its income above that level; that is to say, if the population can be induced to save and put its purchasing power at the disposal of the Government by subscribing to war loans.

The main problem is, therefore, whether expenditure on consumption should be held in check (a) by taxation or (b) by the Government borrowing from all classes, either volun-

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tarily or compulsorily. In certain respects it is undoubtedly better to hold down consumption by taxation rather than by piling up a huge debt. But for this taxation to be effective it must be spread over every class of the population, and this will be recognised if it is remembered that three-fifths of the consumption of the country comes from those with an income of under £250 a year. Direct taxation must have almost reached its limit, unless it is to be assumed that all the income-tax-paying class must in future lower their standards considerably as the richer sections undoubtedly must do now or else live partly on their capital. Further direct taxation may be possible if security of employment and fair profits are safeguarded by the war system in force. The wide effect needed can indeed only be achieved by taxes hitting consumption directly, *e.g.* by a discriminating sales tax on consumption goods and services, which in the case of non-essential consumption should and could be high. In default of an almost universal willingness to subscribe to war loans, increased savings will have to be enforced, as Mr. Keynes suggests, by deducting a proportion of incomes at the source and blocking them for the duration of the war.

It should be realised and made clear to the public that some reduction in their consumption is necessary even if employment is increased. Otherwise the process of wages chasing prices is inevitable if the war is to last for any length of time, if our war effort is to render us safe from Nazi attacks and, last but not least, if we do not wish to exhaust our irreplaceable foreign reserves prematurely. It is deplorable that this necessity has not already been made clear to the public. We cannot use our commanding position astride the main commercial routes of the world unless we export, and we cannot export as much as we should if we do not limit our consumption.

The potential economic power of Britain is vast. The task already accomplished, in spite of the slowness in using it fully,

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justifies optimism. An even more important reserve is available in our moral strength and unbounded willingness for sacrifice. Once the position is grasped firmly and explained calmly and openly, the British public will face it courageously. It can face it with confidence.

THE HOME FRONT

I. CONTRASTS WITH 1914

AS SAYING on the lips of nearly every one who can evoke adult memories of 1914 is "How much this war differs from the last!" And indeed the immediate reactions of Great Britain to war have been singularly unlike in the two cases.

In 1914 war came to the man in the street as an almost complete surprise. Down to the ninth of the thirteen fateful days which shaped the catastrophe, he thought that the crisis was only a newspaper story. It would settle itself as the crises of 1911 and 1912-13 had done; Britain would not be drawn in. And when at the eleventh hour the question of British participation became crucial, sharp disagreements shook the Cabinet and were partly revealed in the press. It was only the episode of Germany's attack on neutral Belgium that brought unity back and enabled all the main parties at Westminster to rally their adherents for a national struggle.

In 1939 there was neither surprise nor disagreement. Both had spent their force a year earlier, during the days before and after the Munich negotiation. Since then, and more particularly since the destruction of Czechoslovakia in the intervening March, the evidences had multiplied that Herr Hitler's was not a limited ambition. The nation had begun to realise that Europe could not go about its business indefinitely with the Damocles-sword of German aggression suspended over it. The Government's decision to treat the Polish issue as a test-case was clearly understood and fully supported by all parties; and such opposition as there was to it never grew to be more than a camarilla.

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On each occasion the plunge into the unknown was accompanied by a particular fear. In 1914 it was fear of financial collapse. The writings of Sir Norman Angell and others had fostered a confused notion that war would entail universal and almost immediate bankruptcy, and so end itself, like a sort of Samson, by pulling down the pillars of the temple on its own head. In the event, of course, nothing of the kind happened; the financial pillars upon which European capitalism was upheld proved much tougher than had been expected. But the fear was not hastily exorcised. Its persistence accounted in part for the extreme gentleness of the 1914 War Budget, as judged by 1939 standards.

The corresponding fear in 1939 was that of devastation and massacre from the air. It seemed warranted by the examples of Spain and China. In a sense it was borne out by the experience of Poland. But week followed week without any attempt being made by German aviators to attack the centres of British civil life; and gradually it came to be seen that there were reasons why they might not. The aeroplane's great successes as an engine of destruction had all been achieved under conditions of extreme inequality, against enemies largely, or even wholly, unprovided with either anti-aircraft guns or defending aircraft. Moreover, the bases and goals of the raiders had usually been not much over 100 miles apart, so that the mileage flown per bomb dropped was economical. Neither of these conditions obtained as between Germany and Great Britain; nor could the second ever do so, unless the German armies, as in 1914-18, occupied Belgium or Holland. Moreover, all the small-scale experimental bombings attempted by German fliers against British targets, or by British fliers against German, have shown the effectiveness of air defences, and especially of the newest anti-aircraft guns, to be greater than had been supposed. It may be that the special fear in 1939 will prove no better grounded than the special fear of 1914.

But in to-day's case the effects of the fear remain. In the

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opening months, during which no civilians were bombed, the possibility that they might be gave rise, not only to special expenditures totalling many millions, but to special displacements and interferences with daily life which have taken heavy toll of the country's normal working efficiency. It would be too much, of course, to say that the remedies have proved worse than the disease; but it has to be admitted that without dropping a bomb on a British city the enemy has obtained by the mere threat to do so some at least of the results that might have been hoped for from the performance.

Yet another great difference lies in the measures taken to expand the Army. In 1914 we relied wholly on voluntary recruiting, and it was not till after the opening series of French and Belgian disasters—checked but not retrieved by the Battle of the Marne—that the need arose for us to employ forces on the continental scale. A consequence (since the troops had to be raised by persuasion, not compulsion) was the famous national "recruiting campaign" of 1914. Its unique value lay less in the memorable central meetings addressed by the leaders of both Front Benches than in the numberless local meetings, which were multiplied in every constituency, and in which every variety of local leader or public man took part. And its effect went far beyond its original purpose. It became, in fact, a great engine of popular education, through which the British peoples, till then largely unfamiliar with European politics, were given their bearings and shown their course. It instructed not only the millions who heard the speeches, but also most of the thousands who had to make them.

But in 1939 voluntarism was replaced by conscription from the outset. Already during the spring Parliament had accepted in the Militia Act the compulsory principle. After the outbreak of war another Act was quickly passed empowering the military authorities to call up further age groups, as and when they might need them. From the

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standpoint of organisation this is a better and smoother-working plan. In the months before war started an enlarged machinery for training new troops had been developed to deal with some 200,000 militiamen; and it has been a simple matter, as soon as a given set of trainees have completed a given stage, to call up another to take their places. Under such conditions it ought to be possible to avoid most of the delays and confusions which hampered the early training of the Kitchener armies. Yet the basic difficulty of 1914 is still there. It is how to retain as trainers a sufficiency of really good Regular officers, when all the cream of the Army is being skimmed in order to send abroad an immediate Expeditionary Force.

Meanwhile, since no recruiting campaign has been needed for military purposes, nothing corresponding to the 1914 propaganda has been available for civil purposes either. Here is perhaps a real failure to benefit by 1914-18 experience. We have just seen how the nation came to its second ordeal with more unity at the start, and on the whole with more knowledge. But Ministers will be unwise if they presume too long on that. Amid the surprises, the disappointments, the heart-breaks and the infinite tedium of a great war, it is a most difficult task to sustain the morale of a huge diversified modern nation. In 1914-18 successive British Governments were more aware of it than the German, and their awareness had much to do with eventual victory. To-day the boot is rather on the other leg. The contraction of the B.B.C. at the outbreak of war, the restriction of the press by the Ministry of Information and the censorship and the almost complete stoppage of public meetings obstructed simultaneously all the chief channels through which the British public had been accustomed to derive guidance and stimulus. Nothing similar has happened to the accustomed channels in Germany. And this question of national morale is all the graver in view of the quite unprecedented inconveniences and

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interferences with our normal lives and liberties which war in its modern guise involves. Speeches in Parliament and explanations by wireless can do much; but they lack the vital spark of personal contact and discussion, and it would surely be advisable, now that winter is drawing on and the discomforts of the 'black-out' increasing, for our professional politicians, both M.P.s and candidates, to resume their traditional role as the educators of their constituencies.

II. FINANCE

LET us revert to the aspect of finance. In 1914 the war began on August 4, and the first War Budget was introduced on November 17. In 1939 it began on September 3, and the first War Budget was introduced on September 27. In 1914 the pre-war income-tax rate stood at 1s. 3d. on unearned incomes and 9d. on earned. In 1939 it stood at 5s. 6d. In 1914 the first War Budget raised the higher rate to 2s. 6d.; the second (May 1915) left it at that; only the third (September 1915) brought it to 3s. 6d. But in 1939 the first War Budget raised it to 7s. 6d. And it is obvious that the extra 2s. thus added to the rate after twenty-four days of war was much more onerous than the 2s. 3d. added after 13½ months on the previous occasion; since, the higher the scale ascends, the harder is the screw represented by each extra penny.

Other taxes tell the same story—at least, other direct taxes; the indirect taxpayers (i.e. the mass of voters) get more leniency. Taking income-tax and surtax together, a millionaire deriving £150,000 from investments will now pay £123,387 of it to the Exchequer—equivalent to 16s. 5½d. in the £. And of course heavy death duties lie in wait for anything saved from the residue.

The difference between the *peace-levels* of taxation in the compared periods is accounted for by the fact that the

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second bore the burden of the 1914-18 war debt (Parliament having in the seventeen years between war and re-armament preferred to leave the debt unreduced, save by conversion of interest, and to spend lavishly on new social services instead). But the difference between the *war-increases* reflects a definite change of policy by the Exchequer. In 1914 much anxiety, as has been said, was felt about the health of the financial system. Stress was often laid upon two maxims. The first was that borrowing disturbed that health less than taxation, because you borrowed from those who could afford to lend, whereas taxes fall indiscriminately on all, and crushed out business that could not afford them. The second was that, since the yield of even the most heroic taxation must be small in relation to war costs, and you would have to rely mainly on borrowing anyhow, it was bad policy to cripple in advance your lenders. To-day the problem is more extreme and the difficulties of coping with it greater. Direct taxation must now have nearly reached its limit, but the extra revenue will go a very small way to meet the vast and daily increasing expenditure. Taxation, either direct or indirect, will have to be extended over all sections of the community, and even then huge sums will have to be raised by loans also from all classes.

On August 24 the Bank Rate was raised from 2 per cent. to 4. In the old gold-standard days this would not have been out of the way—the Bank Rate on August 1, 1914, went up to 10 per cent., and, though reduced to 5 a week later, stayed at that for a considerable period. But under the conditions of a managed currency 4 per cent. is a high rate, and in our view it was a mistake to put it so high. The effect of raising the price of money, if it had been maintained, would have tended to damp down trade enterprise and industry. It did help to lower the prices of gilt-edged securities, and it certainly raised the cost of the Government's short-term borrowing. Under the present stringent controls a high Bank Rate has in fact little meaning,

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and this was soon recognised. On September 28 the rate was reduced to 3 per cent., and on October 26 to 2 per cent. These measures induced a rise in gilt-edged securities.

Other contradictions of purpose were inevitable. The payer of direct taxes found himself requested by Sir John Simon to do the following incompatible things: (1) to pay taxes on the highest scale ever levied in the United Kingdom; (2) to make more savings than ever before, in order to subscribe genuine and not inflationary money to Government loans; (3) to maintain his usual scale of spending, so as not to injure trade; (4) if an employer, to dismiss no employees. Of course, to combine all these contradictories is impossible. The most that can be said in defence of the advice is that its recipients ought to give all four points due weight, and reach the best compromise that they can between them.

The reception of the budget by the House of Commons was on the moral side magnificent. Save for a murmur from the Labour party against the sugar-duty, not a demur was heard. Intellectually, perhaps, one might have preferred more discussion. The one fresh light in the picture, the one attempt to pay for the war as far as possible out of war-wealth, is a proposed new Excess Profits Duty. The last war's E.P.D., though productive, was very far from perfect. To what extent will it now be improved on?

III. EVACUATION

THE main alternatives before the Government, when they were forced after Munich to recognise the unpreparedness of London and the other British cities against air-raids, were to provide shelters or to organise evacuation. In the event they adopted both, but with very different degrees of completeness. The "Anderson" steel shelter was an ingenious and effective device, suited to most British dwellings: it was readily mass produced: and within a year, despite the competing demands of rearmament, the greater part of the

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threatened areas could have been equipped with it. But this precaution was only partially adopted. Safety was sought for mainly in evacuation. One argument for this, the more drastic of the two expedients, was the undesirability of exposing children, even if sheltered, to the shock of a bombardment. But the chief reason is probably to be found in a reluctance in some quarters to believe that Herr Hitler, when it came to the point, would really plunge the world in war, and a consequent hesitation to incur heavy expenditure to meet a need that might never arise. From this point of view the merit of the evacuation plan was that, if no war came, it would cost nothing.

Cost again, no doubt, was the chief reason for not preparing for evacuation by building hutments and camps for the evacuees. Plans were made for the compulsory occupation of existing buildings. Whitehall departments were to be housed in the provinces by requisitioning the premises of public schools, colleges, hotels, and other concerns with large buildings. Private houses in the "reception" areas were expected to billet between one and three million other persons, consisting mainly of four classes from London and the larger towns: (1) school children and school teachers; (2) mothers with younger children; (3) pregnant mothers; (4) cripples and blind. They were to be moved and billeted at the State's expense, or rather in part at the hosts'; for save in the poorest homes the sums allowed did not cover the cost; and nothing was announced about recovering any contribution from parents of billeted children till the scheme had been in operation for five weeks. Another kind of evacuation was that of patients from the great hospitals, who were sent to institutions in the reception areas, in order that their former beds might be ready to receive air-raid victims.

These plans were put into execution on the outbreak of war with remarkable speed and efficiency. In a lyrical peroration to his speech in the House of Commons on

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November 2, the Minister for Health, Mr. Walter Elliot, described this "great migration" of 1,500,000 without one casualty within four days as "a bigger exodus than that of Moses" and equivalent to the moving of ten times the Expeditionary Force so far despatched to France. Mr. Herbert Morrison, too, in winding up the debate for the Opposition, treated the evacuation as a vast and mainly successful social experiment. But admittedly there is another side to the picture. It has been freely drawn in Parliament and in the press, and it must not be ignored. It is true, no doubt, that the scheme would have been less criticized if the *Blitzkrieg* had actually happened; but it did not happen, and, though intensive or intermittent bombardment is still an obvious possibility, the situation is not the same as it was when the war began, and the scheme clearly needs re-examination and, where necessary, revision.

One of its weakest features was the requisitioning of premises for the thousands of evacuated civil servants. This was defensible as an emergency measure for a few weeks or months, while hutments were in course of erection, but not for the duration of a three-years' war. To divorce a great public school from its premises for three years is to cripple the school. To close a hotel for three years is to kill the hotel. To close a spa does not end the spa, for its waters remain: but it greatly injures everyone with a present financial stake in it. Yet it was seemingly for the duration of the war that these high-handed requisitions were made, and it was not till the middle of November that the public were informed that sites had been acquired and tenders had been accepted or were under consideration for the erection of hutments to which the officials would be gradually transferred from the schools, hotels, and other requisitioned buildings.

More important, because far more widespread, are the drawbacks revealed in the billeting scheme. The attempt to evacuate mothers with young children was plainly a mistake. For, unless they were widows, it meant in every instance

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breaking up a working-class home. If the authorities in Whitehall proposed to separate the town workmen from their wives for three years, they must have had odd ideas of what such a home is like. Did they fancy that the husbands kept domestic servants, who could run the house in the wife's absence? Did they suppose that they had no physical inclinations and no emotional need for female society? The truth is that if the town mothers had done what they were urged to do—left their homes *en masse* and stayed away for the duration of the war—the nation would have suffered a moral and social catastrophe of the first order. Of course they did not. Relatively but a few went out, and after a few weeks they slipped back home.

The most numerous class of evacuees were the children and teachers from the town schools, and it is the children that constitute the main problem. Apart from the difficulty of separating them from their parents for an indefinite time, there is the very serious question of their education. This has been complicated by the fact that the migration was voluntary and that a large proportion of the children remained in their native towns, where all their schools continued closed till the end of October. By that time so many children were running wild that on November 1 the Government were forced to announce a limited reopening. Educationally, however, the lot of the evacuees has been only a degree better. Evacuation, as a rule, means half-time schooling. Even that is only made possible by halving the time-tables of the local schools, and so the mischief becomes nation-wide. The last war was a great period for educational progress. It would be a calamity if the present war were to prove no less remarkable for educational regression.

It is essential, finally, that the authorities concerned should not be tempted by the more successful aspects of the operation as a whole to forget or belittle the shock it was bound to give to the occupants of the reception areas. The evacuees went of their free choice, but the recipients were

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compelled to take them in. It says much for the good humour and natural kindliness of the average British householder that the invasion was so patiently borne. There was a good deal to put up with. It was disagreeable, for instance, to find that the school medical services of the great cities, including those of the L.C.C., had failed to remove the lice from the heads of so large a proportion of the children in their care. Yet anything suffered in the Home Counties pales by comparison with the fate of some villages in Banffshire and Aberdeenshire, where the cleanest and most self-respecting homes in the United Kingdom have had forced on them the least attractive denizens of the Glasgow slums.

IV. CONTROLS

MODERN war, we are often told, is totalitarian; and certainly it calls for far wider readjustments in civilian life and business than ever before. What the nature of these should be had been considered in advance by civil servants, sometimes getting some guidance from Ministers, and sometimes, though not often fully enough, consulting the experience of the business world. As soon as the war-emergency arrived, these war-plans fell due to be enforced. From the multitude of departments flowed, not successively but simultaneously, a Niagara of orders and regulations covering almost every aspect of life. Nor were these orders merely directive, but creative. They set up not only controls, but controllers. The new posts established at once ran into thousands—filled partly by the diversion of civil servants from old duties to new, and partly by outside appointments. Everything was done in the name of the Government, but it was impossible that Ministers should have much real hand in it. They had given, of course, certain authorisations beforehand. But the details—and often in such cases these make nine-tenths of the difference between success and failure—could not amid the rush be checked even by the Minister in charge, let alone by the

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Cabinet or Parliament. As well try to count Niagara's ripples. The difficulties were rendered still greater by the simultaneous process of removing staffs from Whitehall. The new organisations were set up in scattered provincial places, and important elements in the old ones were likewise dispersed. In the first seven weeks of war between 11,000 and 12,000 civil servants were evacuated from London.

Now it would be absurd to suggest that all this administrative effort was uncalled for, or that a great deal of it was not ably conceived and executed. Over many fields the lessons of 1914-18 had been well learned; so that in this war the country was able to do at once what in the previous war it only arrived at doing after three or four years of painful and costly experiment. But it would be equally absurd to suggest that none of the measures thus hastily launched stood in need of revision or rescission. It was inevitable that mistakes should be made, and also that the process of disbanding a new organisation should prove much harder than that of enrolling it.

Two of the new organisations fell into trouble early. The first was the Fish Control Board. Its mistakes, like many of the least wise things done at this time, were motived by the fear of air-bombing. To forestall the risk of bombs falling on Billingsgate Market, it was decided to create voluntarily and in advance the very dispersion and dislocation of the trade which their advent might be expected to cause. The result was immediate and visible; fish disappeared from the shops. In vain the B.B.C. was put up to say that they would soon reappear. They did not. The public were so indignant that the Board was abandoned. Fish reappeared in the shops—at any rate in the London shops; though at the time of writing the supplies have still not regained (in smaller towns) the high level at which they were maintained throughout the previous war.

The next victim was the Ministry of Information, a very much larger affair, which is discussed elsewhere in this issue

CONTROLS

of THE ROUND TABLE.* Here it may suffice to note that, in attracting the wrath of Parliament, it and the Fish Control Board acted somewhat as lightning conductors. For these were not the only departments that made mistakes.

It is not the purpose of this article to seek out grievances and make the most of them. Grumbling for its own sake is inexcusable in war time. But it is imperative to draw attention to certain mistaken tendencies, since, if they grow in strength, they may seriously impair the whole national effort and imperil its success. First of these is the tendency to push a reasonable policy to its extreme, or to overdo a precaution by "doubling it for safety". This is illustrated by the decision to restrict domestic coal and coke to three-quarters of last year's consumption in each household. The reasons for limiting the use of coal during the war are obvious, especially the need of selling it abroad to buy the imports that we want. But domestic consumption is only a small part of the total, and a substantial restriction of it would be severely felt in winter in every poor man's home. Such restriction, therefore, ought not to be applied until it is a case of sheer necessity, and obviously that point had not been reached at the outbreak of the war, when a host of miners were unemployed. Happily this restriction has been withdrawn and a hundred per cent. of normal consumption permitted.

Clearly again it is a mistake to push the standardising of goods, especially foodstuffs, too far. The case for standardising rests on that for pooling, and the case for pooling rests on the necessity for concentrating ships and cargoes on certain routes and ports. To some extent standardising is unavoidable, but it was evidently not so with regard to margarine since the attempt to standardise it has been abandoned. Is it fully realised what a vital and beneficent influence at home and abroad, in expanding consumption, educating consumers, and graduating prices to suit pockets,

* See p. 173.

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has been that of the marketing of branded goods? Merely on the financial side, the establishment of world-famous brands represents enormous values based on the sinking of corresponding capital. To wipe them out arbitrarily is a form of confiscation which could only be justified under such conditions of extreme shortage as at present exist neither in fact nor in prospect. It is bound to lower the yield of taxation, bound to injure export trade, and bound also to send up the cost of living, since it always raises prices at the bottom end.

The tendency to press many restrictions and precautions beyond the point of real need is likely, apart from its more obvious disadvantages, to diminish the readiness of public opinion to accept future restrictions which may be vitally necessary. Already, indeed, there are signs of a reaction against bureaucracy and controls on principle which may later prove an obstacle to the effective organisation of our industrial system for the conduct of the war. For more control will eventually be needed, not less—more positive, creative control to secure the fullest use of productive resources and their direction to the most important ends.

V. A FREE PEOPLE

DESPITE all the new machinery of State the British remain a free people. It is true that the Government have passed through Parliament an Emergency Powers (Defence) Act which even goes beyond the famous "D.O.R.A." of the last war, and, if stretched to its fullest capacity, would leave few personal liberties standing. But nobody supposes that it will be so stretched, and Parliament, in the debate on its passage, showed clearly that it would not let it be. The liberties which in Great Britain guarantee the rest are three—freedom of speech and printing, freedom of election to elective bodies, and the supremacy of the House of Commons. As long as these are maintained in

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principle it is a free country. And at present beyond question they are. Though public meetings have been in abeyance, the press provides a large outlet for criticism; and Parliament, as the grand forum for the nation, has been functioning extremely well.

Therefore, if the British stand up firmly to the hardships and menaces of war, they do so of their own will. Nobody has forced them; but freedom has been justified of her children. At the outbreak of the war, under the shock's first impact, the striking spectacle at the British end was the fundamental courage and determination displayed by the mass of the people. A people instinctively sensible in politics, full of "live and let live" towards each other, and anything but rancorous towards the enemy, yet formidably convinced of the necessity for fighting and winning the war.

Wise rulers will respect this freedom, and while conducting the struggle against a very opposite conception of life and society will eschew the mistake of thinking to cast out Satan through Beelzebub. The British are a free people—and a reasonable people. They are ready to make every sacrifice that is needed for defeating Hitlerism. They know that their ways of life must be altered, their business hampered, their liberty restricted. But, if their war effort is to be the greatest of which they are capable, their obedience to the dictates of the State must be the willing obedience of men who understand the reason for it. Normally this understanding is acquired by the full-length process of parliamentary legislation. That is impossible in war time. It is all the more essential, therefore, that those who are set in authority should remember that governmental efficiency is not only a matter of administrative machinery but also of national character and temperament, and that their fellow citizens are more responsive to appeals, however exacting, than to commands, and will yield to reasons of State most readily when they are shown to be identical with reasons of common sense.

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IT is not an easy task to depict the feelings of a great country in the situation of France to-day. But it may be said at once that never has national unity been stronger or internal divisions more completely forgotten. This is a phenomenon which has been repeated every time the existence of France has been at stake. What Poincaré in 1914 happily described as the *Union Sacrée* is in truth something more profound; an instinctive manifestation of self-defence, a coalition of the whole country in the face of danger. But in this general accord there is an infinite number of individual shades of opinion, and in this common effort of response to the difficulties of the moment an infinite number of distinct activities.

I

FOR France, as for Great Britain, this war is only the final explosion of a long crisis, and it is impossible to understand the country's reaction to it without examining the sequence of opinions and events since 1936.

I will take as an example the history of opinion in one party, that of the Radicals and Radical-Socialists. Not only is it the most numerous and the most powerful party, but it is the only one which is engaged in mass-production of statesmen and ministers. A young member of the party who attracts the notice of his elders is at once initiated into the work of government and receives an education which makes him into a minister at 35.

What are the past and present opinions of this party? Until 1936, it can be said, it was determined on peace. Let us glance at the report of its annual congress, held in October

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1936 at Biarritz. At the beginning of the session devoted to foreign affairs, M. Albert Sarraut, who was presiding, made a short speech. He reminded his audience that on such a subject there ought not to be disagreement among members of the party, nor indeed among Frenchmen. He stated the Radicals' policy in three maxims. First, that the policy must be at once patriotic and peaceful: "We are unanimously agreed on the paramount necessity of safeguarding the future of France; we stand for a France who wishes peace with everybody, for everybody, and by everybody." The second principle was that France should not involve herself in the internal politics of other nations; M. Sarraut was clearly thinking of Spain, where the Civil War had just begun: "We are also unanimously agreed on wishing freely to direct the peaceful policy of France towards an ideal of universal concord, without meddling in conflicts with which we have nothing to do." Thirdly, he expressed the hope of maintaining, in spite of everything, an organised system of peace: "Faithful to our friendships with those who share this creed with us, we remain equally faithful to the conception of the League of Nations and its Covenant."

The report was presented to the congress by M. Mistler, President of the Foreign Affairs Committee of the Chamber. He spoke on the same lines. "The desire for peace", he said, "is found in every class of French society. It is shown by our statesmen in their devotion to the League of Nations and in their desire for collaboration between the peoples. It is shown with equal force in the minds of the peasant who wishes to be certain of reaping in August what he has sown in the previous autumn, and in the heart of the mother who does not wish her children to be sacrificed one day on the bloody altar of war." The same speaker pointed out that the policy of the party was based on two principles: "First, international co-operation between the peoples; second, national defence firmly secured, so that, should international co-operation be insufficient to create that atmosphere of

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mutual confidence in which efforts for peace can prosper, France may be safeguarded by her own armed strength against sudden and terrible danger from without."

Finally, M. Edouard Herriot said: "My allegiance has always been the same; it has always been devoted, in spite of circumstances and, of course, in spite of scoffs, to the League of Nations." He justified this faith by the whole history of French policy from the time of the monarchy. "It is not only the tradition of the Republic," he said, "it is the great tradition of France, ancient and modern, to defend the small or middle-sized nations; in the past, even when the classical monarchy was at its height, this was the essential principle of our policy."

II

AT the congress of 1937 the report on foreign policy was submitted by M. Jacques Kayser on October 29. The session was presided over by M. Aimé Berthod, Senator for the Jura. He recalled the principles of Radical policy, congratulating the party that it was also the policy of the French Government, although the Ministry had changed (Camille Chautemps had just succeeded Léon Blum). This policy, he said, "while remaining faithful to the ideals of humanity for which our party stands, has never for one moment forgotten the grave responsibility for national defence and the safety of France". M. Kayser said in his turn: "I am sure that I am voicing the feelings of you all when I say that we wish to see the Government persistently pursuing a twofold aim—the defence of peace and the safeguarding of national security." Finally, the Spanish quarrel being then at its bitterest, the speaker declared himself a whole-hearted supporter of the policy of non-intervention. France must remain perfectly free to choose her own policy; and she must faithfully maintain "her rôle of balance and conciliation". M. Kayser was followed by the Minister for Foreign Affairs, M. Yvon Delbos. What, he asked, should be

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our attitude in face of the present crisis in international morality? "Preserve peace by avoiding rashness and weakness which are equally dangerous, and by striving to recover the ground which peace has lost and to reorganise the forces which can maintain it."

Then came 1938, the events of September, the meeting at Munich. The session of the congress devoted to foreign affairs was presided over by M. Chichery, Deputy for the Indre. The debate was not reported in full, and there are numerous blanks in the published account of it. Nevertheless, its general trend can be made out clearly enough. It began with a violent speech by M. Réthoré, Deputy for the Charente, accusing the parties of the Right, and M. Flandin personally, of being ready to capitulate in everything to Hitler. The Radicals pride themselves on being the heirs of the Jacobins of 1793, and they are very sensitive on the point of national honour. M. Réthoré has not proved quite an infallible clairvoyant, for he referred to Germany as ready to turn from the annihilation of France to the annihilation of Russia. He wished France to fight, trusting in the profound weakness of Germany. She was a colossus with feet of clay. She had been unable to get to Vienna, unopposed and on excellent roads, without losing 10 per cent. of her equipment; had not Marshal von Blomberg resigned because he was aware of this defect? . . . Illusions of that sort are rather touching. Moving, too, is M. Réthoré's confidence in France's friends. Altogether he is a fairly faithful impersonation of the average Frenchman with his quiet certainties and his gusts of indignation.

Once again the report was presented by the Minister for Foreign Affairs. But this time it was M. Georges Bonnet. He took a very high line on the question, quoted Descartes and the Encyclopedists (which is not always a good sign), and ended by stating the same principles as his predecessors: "Take every possible precaution for the safety of the country; refuse no opportunity, however slender it may seem,

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for the maintenance and consolidation of peace—that is, and that has always been, the policy of our party.”

In sum, the congresses of these three years show clearly both the stability and the change of opinion in a party which represents a large section of Frenchmen. Two principles are fixed and constant—the security of the country and the defence of peace. But these two principles are set, so to speak, in the two scales of a balance; and the preservation of peace, as time goes on, becomes lighter and more chimerical, while the defence of France in danger becomes heavier and more pressing.

To-day the President of the Radical party is M. Daladier, Deputy for Orange, and at once President of the Council, Minister for War and Minister for Foreign Affairs. His policy is so well known that I need not describe it here. It is enough to say that the whole of the Radical party is behind him to a man, and not only the party but the whole country. Internal dissensions exist no longer.

The only doubtful point has been the question of the Communists, who, as we know, receive their orders from a council sitting at Moscow and in close relations with the Russian Government. But the Russo-German Pact has profoundly shocked and disconcerted the French worker. Although certain sections, where discipline is strong, have remained faithful to the Communist party, the great majority, all those who truly represent the tradition of the French Revolution, have quitted it *en masse*.

III

THE moral unity of the country is in fact complete. Public sentiment is as unanimous and as firm-set as it was in 1914, though now it is quite different. In 1914 France responded to attack with a surge of heroism. The reverses of the first few weeks inflamed to fever point the love of country, the will to victory, the impetuous fighting spirit which changed the fortunes of the battle of the Marne.

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From that famous day onwards the French were never doubtful of their fate, and they endured four years of war, of massacre, of suffering of every kind, with the certainty of final victory. And that certainty, that deep-rooted, intimate certainty, was an act of faith.

To-day the situation is different. This time they are not martyrs throwing themselves into the arena, consecrated victims laying themselves on the altar of their country. Perhaps these feelings will come back one day, as fresh and strong as ever; but at the moment the French soldier is simply a man who has understood that this has got to be stopped—*il faut en finir*.

True, he has had a century's education in the hatred of tyranny and the love of freedom. He wishes to be free in his home, and that the law assures him; free in his acts, and there his freedom is only limited, according to the Declaration of the Rights of Man, by the freedom of others; free in his thoughts, and that is perhaps his most inviolable sanctuary. He has an infinite contempt for all that is cowardly in servitude and stupid in tyranny. But he is as a rule very little concerned with foreign politics, and he does not greatly care what régime his neighbours adopt. He may be horrified by such and such a system, and see red when he believes a party is going to introduce it at home. But in reality the Frenchman has not gone to war for what is now called an ideology. He thinks that every man is free, free even to renounce his own freedom; and he also thinks, as Casimir-Périer said in 1832 in a famous phrase, that French blood belongs to France alone.

But it happens that the German Government has piled up a series of falsehoods by which nobody has been deceived. I emphasise this, for the Frenchman, whose attitude of mind is essentially critical, has a horror of impostures and a still greater horror of being hoodwinked by them. He has shrugged his shoulders at the lie of "race", knowing that Germany is a mosaic of peoples. He has shrugged his

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shoulders at "living-space", a theory which cannot be harmonised with the policy of domestic colonisation, so fashionable not long ago in Germany. Then he has seen the true purposes emerging from under the cloak of these absurdities. He has seen the subjection of the Czechs, the martyrdom of the Poles. He has realised what ambitions those theories concealed. He has remembered the anathemas against France in *Mein Kampf*. He has been profoundly stirred by a disinterested sense of indignation and a selfish longing for security. Those two emotions have developed in him side by side. An honest historian must mention both.

I am not concerned now with the opinions of a political party, but with the reactions of an average Frenchman, say, in a small way of business, who looks at things from the standpoint of his own trade and often takes little interest in politics—at least in foreign politics. Motoring through France on a fine summer day and seeing a man seated at his door smoking his pipe, one cannot think without a smile of politicians spouting their orations to such quiet, comfortable folk, kings of their own little realms. They did not feel themselves affected by events in the outer world until the first mobilisation last September. And then it was astonishing to see how easily and quickly all Frenchmen, just because needs must, consented to be torn from their homes. They were neither eager nor despondent. They had realised that danger was at hand and that, whether they liked it or not, *bon gré, mal gré*, it had to be warded off. They marched off bravely enough, and, once in barracks, coming as they do from an old race of soldiers, they quickly resumed that childlike *insouciance* which is part of a soldier's life.

A very clear picture of this state of mind may be found in Georges Duhamel's book, *Le Mémorial de la Guerre Blanche*, a collection of essays written by him for *Figaro* in the autumn of 1938. "The peaceful world", he says, "is henceforth certain of one thing—that it will remain at peace no longer, that an end has come to its enjoyment of life and of

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the fruits of its labour. The respites which formerly lasted six months or three months will no longer last more than a week, and between two crises nobody will have time to smile or to breathe freely."

Duhamel has exceptional qualities of mind and spirit, but he might sit, so to speak, for the ideal portrait of the average Frenchman. When a man of that type has seen Germany, without a shadow of excuse, pleading the most fantastic and contradictory reasons to justify her attempts to satisfy the appetite of the moment, his common sense and his critical spirit quickly disentangle from this tissue of impostures the pure and simple lust for conquest. At the same time he feels that his deepest convictions have been outraged, the tenour of his life disturbed, his very existence threatened.

The number of those Frenchmen who do not feel the strength of the ties that bind them to their country is, as Bossuet said, infinitely small. On the plateau of the Durance a writer named Jean Giono—a man of great talent, endowed with a sense of epic and pastoral genius—has collected a group of disciples who are conscientious objectors or, to put it more precisely, ardent votaries of life, whose creed is to refuse obedience to war. Duhamel has no difficulty in dealing with them. He describes the kind of military tyranny a conqueror would rivet on a people which would not defend itself. He shows how they would only escape from bearing arms to be more easily compelled to do it, and this time as slaves.

When the disciples of Jean-le-Bleu (Giono's pseudonym) have made submission to the German conqueror, these shepherds of the Contadour will be equipped without delay with bayonets and rifles. They will then be sent to a battlefield. Ever since the world began, the victors have always levied troops in the countries they have conquered; and as Frenchmen are still reputed to be passable soldiers, they would certainly, however shrill their outcry, be made use of.

With this view France unanimously agrees. The nation

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has formed a profound conviction that the menace is perpetual and that the situation is intolerable. Hence this peculiar example of a war being made without France having anything to ask from it. She is fighting only for her life. This opinion is firmly fixed to-day in the minds of the 39,000,000 of her inhabitants; and they will fight with grim energy. I sometimes hear men of the working class talking together. They say: "What more does he want (meaning Hitler)? He thinks we will give him everything. He imagines he has only to ask." Some irritation, too, is expressed at the man's arrogance. Not unnaturally, the threats in *Mein Kampf* have not been forgotten in France. There is a tendency, however, to misunderstand the depth to which the National-Socialist doctrine has penetrated into German life. I never hear threats against the German people, nor any evidence of national hatred. The word *Boche* is quite out of use. The universal feeling is that expressed by Mr. Chamberlain, that it is impossible to go on living with the German Government, the curse of Europe.

Such is the spirit in which mobilisation—gradual at first, then complete—has been greeted. Naturally the women wept. The men set off with a good courage, submitting to a catastrophe for which France knows she is not to blame. On the whole, the reaction to the grave anxieties of the moment has been one of relief, of the relief that is felt when a storm that has long been threatening breaks at last.

This feeling is widespread among the working classes, and it has had two important results. One is that the trade unions, scandalized at the pact between Hitler and Stalin, have broken with the Communists, who continue to take their orders from Moscow. Thus the *Syndicat des P.T.T.* and the *Fédération Postale* protested against the pact on August 28; the *Syndicat des Métaux* two days later. Finally the whole of the *Confédération de Travail* came into line.

There have been numerous resignations from the Communist party. A militant member from the Haute Vienne,

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Marcel Nardoux, has written: "That cowardly villain, Stalin, has concluded a pact of high treason with our bitterest enemy. We genuine Communists will do our duty." The Government has easily been able to dissolve the party and to arrest its leaders. The other result of the national accord has been the conclusion of an agreement between the trade unions and the employers' federations.

IV

HOW has France reacted to the mobilisation? I have been in touch with a village near Reims and with Reims itself. It was only natural that a town which was so severely bombarded from 1914 to 1918 should be dismayed at the thought of war. Gradually, however, people became accustomed to it and began to organise themselves. In the village I am speaking of, which numbers 350 inhabitants, 35 men or 10 per cent. of the population have gone—a modest proportion of the average number called up. There and at Reims, the women have at once taken the place of their absent husbands. They did so in 1914, but with a good deal of hesitation and misgiving. They were terrified of taking a decision. Experience and social progress have now made them braver. They know they can run a business as well as their husbands and sometimes better. They give orders without faltering or weakness.

The absence of the men who have been called up has been made good for the most part by those who have remained behind—men over military age, men who have got *le fascicule bleu*, i.e. orders to stay at home, women and children. The peasants in particular have turned to helping one another. This district has always had a remarkable knack of shifting for itself in times of difficulty. The problems of different individuals or groups lose half their weight by being treated as opportunities for mutual service. The country-people are short of labour, the townspeople are out of work. There is an organisation

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called the *Union des Paysans de France*, to which the unemployed are applying every day—shopgirls whose shop has shut, dressmakers whose business has closed down, mothers who wish to add wages to their allowances and also to remove their children from the air-raid sirens. The *Journal* quotes this letter from a farmer's wife: "I have four children. The eldest is six years old and the youngest five months. My husband has been called up and so has the farmhand. I am fond of my farm and my work, but I cannot carry on alone. I should like to take in some one who would lodge with us, look after the children, help me milk the cows, and learn the work here." She has taken two women from the town, a mother and daughter, who could not afford to wait for the end of the war without work of some kind.

Mobilisation took place when the great work in the fields had been mostly done. The second crop has been cut and stored, well or ill, as the case may be. The grape-harvest in October has always been the collective work of whole villages.

An important part in this work on the land has been played by the 100,000 French scouts: for, as everybody knows, that British institution, founded by Lord Baden Powell on pacific and international lines, has spread widely over France. The *Bureau Interfédéral de Scoutisme* appealed to all the scout federations on August 31. These boys, 14 to 19 years old, work in patrols of six each. They do not accept any pay. The farmer has only to provide board and lodging. The interfederal office circular says: "It is understood that the boys will sleep on straw; that the minimum diet shall consist of a substantial breakfast, a snack at 10 o'clock, a dinner with meat in the middle of the day, tea, and supper." Alcohol should not be given to the scouts; it is preferred that they should drink neither cider nor wine; in any case their leaders see to it that they only have a very moderate quantity. Even when they are scattered on different

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farms, the boys have to reassemble at night and sleep in a dormitory under the supervision of a patrol leader.

The Ministry of Agriculture thought of them and wrote to the inter-federal office. At once the boys went out. The scouts finished the harvesting, dug up potatoes, helped to pick the grapes. One *préfet* asked for 500. They were also employed in the work of evacuation and reception at the railway stations of Paris, the suburbs, and the provinces. "Calls are made on us", said the National Commissioner of French Scouts, "for a host of other things, for maintaining contact between town halls and the various public services (one scout in three owns a bicycle). . . . For twenty-four hours, thirty of our strongest boys have been digging a trench behind the Vaugirard hospital. . . . The motto of the scouts is 'For all and against none'."

In certain districts a plan for the allotment of manual labour has been drawn up by the military authorities, and the workers have been distributed by the commissariat department.

V

THE real difficulties have not been due to a lack of labour, but to the evacuation of the inhabitants of dangerous zones into the interior. This evacuation—which has perhaps been carried out on too big a scale since some of those who went are now returning—has raised a multitude of problems. To abandon one's home and belongings is naturally very distressing; but at least everything the *évacués* have left behind has been scrupulously respected. War-correspondents in the zone of military operations have seen towns like Strasbourg completely empty; but inside the houses nothing had been touched, and the inhabitants could have returned there to-morrow. Pillaging is a capital offence.

Curious tales are told of people living on the frontier who have preferred to remain where they were. A lady, very

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well known in Paris, one day received a visit (although she herself belonged to a party of the Left) from a nun, begging her to do something for her sister, who had stayed in a most vulnerable area. Now Mme S. happened to be going to that very district on hospital business. So she obtained in Paris an order for the evacuation of the nun's sister and determined to execute it herself. She expected to find the unfortunate woman destitute and panic-struck. Far from it. She was quite happy and comfortable. The baker of an empty village within sound of the gunfire, she pressed coffee and cake on her visitor: and she firmly declined to leave. Not only did she make bread, but she had a bathroom, probably the only one in the neighbourhood, which the officers much enjoyed the use of, and she thought it would be wrong to deprive them of it. And besides, she had two servants whom she could not desert. So she remained. . . . If things get too hot there, no doubt she will get a lift into Nancy.

The Cardinal Archbishop of Paris, in a broadcast message, pledged the Catholics of France to receive the *évacués* in a Christian spirit. In fact, the chief difficulties seem to have been those of language. I have heard of cases where people speaking only the Eastern dialect have been transported to districts where only the dialect of the South is spoken. Sometimes, too, the number of the *évacués* has been miscalculated. But, taking it altogether, their reception has been cordial. They receive an allowance, but naturally they have to find employment as well. The *préfets* provide it for them, and at the same time new works are set on foot. At La Rochelle, which has taken in 15,000 *évacués*, a sensible woman has arranged with the director of a large store with numerous local branches in the neighbourhood to find work for several hundred of them.

Thus the whole life of France to-day is made up of a vast number of local problems. Take for example the fishermen in the little ports of Brittany. Here mobilisation has had

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more severe effects than elsewhere, for while women can guide the plough, setting sails in a high wind is a man's job. But the greatest difficulty is the lack of buyers. The great fishing ports, Dieppe, Fécamp and Boulogne, continue to provide for the district. But the small ports have scarcely any business left. Nobody buys and prices peter out. One of these fishmongers told M. Louis Hamre that he had sold seventy-five kilos of crayfish at 15 fr. 50 per kilo, rather than get nothing. "Instead of sending to Paris a two-kilogram box every other day", he added, "we should do just as well to rent a garden and grow vegetables."

Not far away, on the moors of La Vendée, the difficulty is the same. The local industry is chicken-farming. But the chickens and ducks do not now find buyers, and prices have fallen very low. Many other examples could be cited. It is in order to avoid such local disorganisation that the Government has expressed a wish that as far as possible the life of the country should go on as usual.

VI

PARIS has acquired a most curious aspect. At night the great city is plunged into utter darkness, only broken by the little red and blue lamps on vehicles. Street lighting has been reduced to the barest minimum and consists only of a few faint cones of light, hooded and pointing downwards to the pavement. Even this amount of illumination is provided at irregular intervals. Between the bands of light there are gulfs of darkness through which one has to steer one's way as best one can. Night-life, of course, is much restricted. Even outside a crowded restaurant not a glimmer of light can be seen; but push the dark door open and it is bright enough inside.

By day there is great activity. The traffic is very heavy and has to be controlled as in peace time. For the first few days drivers were threatened with a positively Draconian code of regulations, but its issue was delayed, and, when it

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did appear, it had been considerably softened. Paris is gradually recovering her normal complexion. The rubbish bins, which used to be left all night on the pavements so that pedestrians stumbled on them in the dark, may now be put out only a short time before the arrival of the collecting-vans. Most of the shops are busy, and every day some of those which were shut up are opening again. The chief change in their peace-time appearance is that strips of paper have been gummed over the windows, crosswise or star-wise, to prevent their breaking. White patches have appeared at the foot of walls where basement ventilators have been plastered up. The most precious statues have been surrounded with piles of sandbags, pierced with air-holes. At the entrance to the Champs Elysées the Chevaux de Marly have been enclosed in little wooden houses, perched in the air like railway signal-boxes. In the Place de la Concorde the obelisk juts out like a lightning conductor from a pyramid of sandbags. The restaurants have benefited from the disorganisation of home life. Some of them have suddenly become quite the fashion. The same people are always to be found in them—the inner core of Parisian Society.

Many of those who have taken refuge in the country have been so painfully bored that they have come back home to Paris, heedless of the warning that the danger is not over. Perhaps after the first air-raid they will depart again, like a flock of sparrows. These movements backwards and forwards naturally raise problems of food supply, a matter which the Government partly handed over to the provinces at the outbreak of war. It is hard work to feed a moving population.

Two contradictory ideas, in fact, are working in men's minds. One is the tendency of easy-going people to forget the dangers of war. At first every Parisian meekly carried his gas-mask in its khaki or blue cylinder. To-day no one carries them, except soldiers who are compelled to, and

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theirs is more an example of good discipline than of prudence. The other, the opposite idea, is the fear of being bombed; but this is confined to a few people. The average Parisian is not afraid of shells. When an air-raid warning is given it is very difficult to prevent him from going out of doors to look at the sky. On the other hand, he has a sort of superstitious fear of gas, of which such frightful tales are told. But what he dreads most is the shelters.

A curious figure in Paris nowadays is the air-raid warden, who walks about wearing a yellow armlet. He is often a *concierge* or an hotel-keeper. He has to see that the lighting and the sirens are in order. He is sovereign lord of the cellar which does duty for a shelter. If you are on good terms with him, he reserves a chair for you there. Another new figure is the young woman engaged in "passive defence". She wears two pairs of trousers, one on top of the other, a sort of diving-suit, gloves and a mask: in this costume she has to make chemical analyses. It is said that there is a brisk business in decorating cellars and that special "shelter suits" are on sale. This is not meant to be a humorous article; but this is Paris, and such comments are revealing.

The Government for its part is confronted with a double problem. It wishes to make the people safe, and Paris clearly might become a dangerous place. On the other hand, it feels that in order to carry on a long war it is essential that the life of France should as far as possible be normal. The present organisation is a compromise between these two points of view. The schools reopened on October 16 and the Faculties will start work again on November 6. One of the last acts of M. Jean Zay, Minister for National Education, before he was called up (he is now on the Lorraine front) was to obtain a promise from editors that they would not suspend their activities. The dressmaking industry has been one of the first to resume production in its workshops, which give employment to so many of the poorer folk of Paris. I

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am told that the leading firms have resumed business. I am also told—but I am not an authority on this subject—that we must not expect any very new models. I remember that in 1914, on the other hand, there was quite a crop of dresses inspired by the war—short skirts, ammunition pouches, coats copied from those of the Prussian Guard, picked up on the battlefield of the Marne.

VII

THE restrictions which hampered life at the outset of the last war have not reappeared. This time there has been no moratorium, and the banks have continued to pay out. A sketch of financial life in September 1939 will give a final touch to this picture of the period. What strikes one immediately is the calmness, the *sang froid*, which the public has displayed. The Bourse has not shut down for a single day. The fall in stocks has not exceeded that normally occasioned by an important event. Not only has there been no panic, but at the time of writing there has been a very marked improvement in Rentes and in all French securities.

When mobilisation came, the public naturally drew on the banks and savings-banks; for every one wished, and needed, to keep ready money to hand. No obstacles were put in the way of withdrawals. The banks stayed open on Saturday afternoon, and the savings-banks even on Sunday. The public was reassured and brought its money back again.

The Frenchman has remained confident in his currency; he knows that two-thirds of the circulation is covered by the Bank and that France's gold reserve is one of the largest in the world. The repatriation of exported capital, which has been going on since the fall of the Front Populaire, has not been stopped by the War, and it continues to be shown in the returns of gold.

The Government has set up an Exchange Office, a natural step, but not an immediately necessary one, since few Frenchmen are thinking at this moment of exporting

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capital. Similarly, it has decided to limit imports and favour exports. Finally, it has undertaken the supervision of prices, so as to put a stop at once to war-profiteering. As the franc is stable, strict measures have been taken to prevent a rise in prices.

Such, in outline, is the picture of France at war. As I was finishing this article, I was shown a letter from a soldier, and I will conclude with it. "If the Germans could understand what a spirit of cold resignation and implacable resolution lies deep in the soul of each one of us, they would be terrified. The sacrifice has been made, we have thrown our lives, our hopes, our possessions into the crucible. The will to have done with German domination is in all our hearts."

Paris,

November 1939.

AMERICA AND THE WAR

I

WHEN the war broke out, the average comment of the average American was: "How soon will we get in?" The estimates of shrewd students of affairs ranged from ninety days to a year. It was considered, first, that the war would be a desperate, all-in affair, that the Allies might suffer grave reverses for quite a long time, and that ultimately the Russo-German colossus's threat to the United States would force American participation.

The actual conduct of the war, coupled with the congressional struggle over American "neutrality", has decisively altered all such viewpoints. Today the prevailing national sentiment is that the nation not only should but can remain out. Public unanimity in this conviction is impressive. The writer has just returned from a 9,000-mile trip to the Pacific coast and the north-west, endeavoring to assess the state of affairs, and in every corner of the country it has been the same story: "We want the Allies to win; we despise Hitlerism and Stalinism; but the United States must stay out."

Repeal of the arms embargo and passage of the new Neutrality Bill illustrated with new emphasis the two familiar strains in American opinion: First, the sympathy with the Allies; second, the determination to stay out of war. Whether or how these two sentiments can persist side by side, whether or how the sympathy with the Allies will overcome the urge to stay out, is perhaps the basic question of national policy. Can we remain permanently un-neutral in sentiment and non-participant in the war? The answer, surely, depends upon the kind of war it is. Today Americans regard it as

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20 per cent. fighting and 80 per cent. diplomacy. With Senator Borah, they are prone to call it a "phony" war, or with Representative Bruce Barton in the congressional debate, they say it is "the most stupid, the most crazy, the most cockeyed war in history". There is still a widespread feeling that one more amazing diplomatic surprise may come at any time and end the war. Under the circumstances, Americans are naturally not burning any bridges at all.

Slowly, very slowly, Americans are coming to realize the strategic nature of the war, and the reasons why the nations have refrained from major offensives against one another. But this very realization of the stalemate-war makes further American involvement unlikely. It is quite clear that only two things could bring about American participation: either a direct attack by one of the belligerents upon vital, immediate interests of the United States, or the virtual and gallant collapse of the Allies. In either case, American opinion would, of course, re-survey the situation.

The Administration's policy is set upon the following definite objectives: defense of the nation's interests and maintenance of its neutrality; unadmitted but very real assistance to the Allied cause; preparation for the ultimate peace-making

President Roosevelt, brought up in the Wilson school and case-hardened by twenty years of post-Versailles experience, would naturally like to round out his historic career by making a realistic contribution to peace-making. Of course, he would not participate in the Hitler peace offensive. But he may be expected to be eagerly alert for any future opportunity of assisting a balanced and sound peace. Whether or not he will be empowered to make a substantial American contribution to that peace depends upon the future evolution of this nation's public opinion. At present, there is no great disposition either to lower tariffs materially as a contribution to economic peace, or to accept political responsibilities in Europe. Nor has America begun to think in terms

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remotely resembling "Union Now" or any other basic readjustment of national sovereignty. The nation is in the very throes of disillusionment about the ability of Europe to make peace, for the present situation is blamed to Versailles, and most people fear just as bad a settlement next time, if not a worse one. Therefore public opinion has a very long way to go if President Roosevelt is to make a genuine contribution which goes beyond the most trivial diplomatic errand-running.

There is, however, wide support for building up inter-American solidarity. Therefore, despite the many obstacles, some kind of regional organization might emerge in this hemisphere which could fit in with the ultimate settlement in Europe, and in the end produce a more practical form of collective action than was possible on the basis of American absence from Geneva. The road of regional organization is the only one that is now open in the eyes of the American people. There is, of course, complete sympathy for a negotiated rather than an enforced peace in Europe, and American influence on the side of this kind of adjustment might be useful in keeping a balance in post-war Europe. It would certainly be available for that purpose.

Repeal of the arms embargo was the result of two main factors. It was a combination of intelligent reasoning and practical politics. On the one hand were all the rational arguments for repeal: that it would tend to prevent American involvement by strengthening the Allies and thus shortening the war; that it was really more "neutral" to remove a legislative interference with the circumstances under which the war would otherwise have been fought; that, in any case, the nation did not wish to give help to the Hitler-Stalin cause. But these arguments probably never would have prevailed without a comprehensive and astute job of political management.

Before the Congress met in September, the President had Senator James F. Byrnes—a skilled and highly popular

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negotiator—poll his colleagues at their homes in all parts of the country, by lavish use of the long-distance telephone. Striking early, Senator Byrnes obtained ample commitments to repeal of the embargo before ever the Senators returned to Washington for the special session. Similarly, practical methods were employed in the House, where the "solid south" of Democratic representatives and the machine-controlled city blocs of representatives were all whipped into the party camp.

These realistic methods were necessary in order to combat the furious war of propaganda which was waged against repeal by a curious alliance of politically minded Republican oppositionists, sincere isolationists, the fanatical quasi-fascists who have been organized by Father Coughlin the radio orator, the few who are still responsive to the Communist party line, and all the humble folk in general who can be influenced by the demagogic radio spell-binders. These diverse influences produced a rain of postcards, telegrams, letters and personal appeals to members of Congress which can scarcely be imagined in any other country in the world. Nine out of ten—and perhaps nineteen out of twenty—of these appeals were against lifting the embargo. Thousands of appeals would come to a single congressman from his constituents within a few days. It was apparent that the appeal was organized and to some extent artificial, and it was keyed in a fearfully hysterical mood, but nevertheless it did represent people—and votes.

It is one of the great triumphs of American politics, where pressure groups have latterly been growing stronger and stronger, that an overwhelming majority in the Senate and a substantial majority in the House refused to bow to this bombardment and repealed the embargo. It was a triumph of sanity and legitimate political organization over the frenzy of mass propaganda.

Nevertheless, the campaign drove home one point: that the United States is resolutely determined to stay out of war

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until and unless circumstances change gravely, and in that sense the isolationists won their battle after all. It will require cataclysmic events to produce the unanimity of opinion which would be required to precede active American participation in the war.

II

MEANTIME, the Administration is going ahead with a wide range of steps to protect the national economy and insulate the republic against the shocks of war. We are in the midst of managed neutrality, superimposed upon emotional un-neutrality. The issues are pragmatic, and President Roosevelt candidly recognized the circumstances a few days after the outbreak of war when he said to the people in a Fireside Chat:

This nation will remain neutral, but I cannot ask that every American remain neutral in thought as well. Even a neutral has a right to take account of the facts. Even a neutral cannot be asked to close his mind to conscience.

With similar pragmatism, and without the evangelical spirit of Wilson, Mr. Roosevelt also said:

We have certain ideas and ideals of national safety, and we must act to preserve that safety today and preserve the safety of our children in future years. That safety is, and will be, bound up with the safety of the Western Hemisphere and of the seas adjacent thereto. We seek to keep war from our firesides by keeping war from coming to the Americas.

But he added:

The overwhelming masses of our people seek peace—peace at home, and the kind of peace in other lands which will not jeopardize peace at home.

The Administration set about implementing its neutrality without delay. Not only did the President issue the customary and the new neutrality proclamations. He at once materially increased the size of the Army, the Navy, the National Guard, and the Marine Corps. The larger forces

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would not only protect neutrality, but they would provide a broader base of quick military mass training in the case of emergency. The President also recommissioned scores of old naval destroyers and set them to work patrolling the coastline and far out to sea, in the effort to "keep the war from coming to the Americas".

The neutrality patrol is a good illustration of the pragmatic paradox of American policy. The objective of keeping the war away is no doubt an admirable neutral ideal. But in application it means that there are certain seas in which Germany is warned against conducting operations against Allied or neutral commerce. Quite naturally the Allies are not going to conduct military operations in American waters unless it is necessary to meet German threats there. And so the "safety zone" set up by the Declaration of Panama, while perhaps outraging the international law conventions of a sea Power like Britain, is actually a great potential practical advantage. For instance, there are several score German merchant ships tied up in Latin-American harbors. Under President Roosevelt's interpretation of the safety zone, these ships cannot leave port even to ply between American harbors. Meantime, the right of Britain or France to have access to their possessions in the Americas is untouched, and their naval bases may be used as freely as ever. The situation may be entirely illogical and contradictory, but the fact remains that, unless stupidly mismanaged, the Allies can turn it greatly to their advantage. The entire onus for starting belligerent operations within the safety zone can be placed on the only Power inclined to "start something"—Germany.

Other steps in our managed neutrality show similar leanings of practical self-interest in the direction of the Allies. Repeal of the arms embargo was the greatest of these steps. But all the others pointed in the same direction. Here, briefly summarized, are the principal developments:

National Defense. The increases in our armed forces,

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superimposed upon our obvious sympathies, mean that today's prepared United States is an immeasurably greater factor in Berlin's calculations than the stubbornly unprepared United States of 1914. For two years Woodrow Wilson resisted all efforts at increasing American national defense. Thus he encouraged both belligerents to disregard our neutral interests. Franklin D. Roosevelt knows this well; he was the Assistant Secretary of the Navy charged with the task of trying to sell naval building to the President, and he failed. The importance of the American rearmament program is perhaps most valuable in the Far East, where the bulk of the fleet remains, constantly pushing outposts beyond the Hawaii line. In the first week of war, for example, an American aircraft carrier started for the first time for the Philippines, to be followed shortly by several flights of heavy bombers from Hawaii out along the stepping-stones to the Orient.

Diplomacy. Recent American strong-talking to Japan, the protests to Russia over Finland, the formation of an incipient neutral bloc at the Panama Conference, were all stages likely to aid the Allies indirectly, while they served American interests. The purpose of the inter-American bloc was really to prevent Fascist penetrations in this hemisphere. Our Far Eastern policy may serve to prevent a Russo-Japanese deal which would be catastrophic to British interests in the Orient, but it may also be an obstacle to a British-Japanese deal. It is likely to be a contest between American sympathy for China and interest in maintaining its nationhood as against our desire to help Britain close its back door in Asia. Whether the United States could stomach the probable kind of deal with Japan is open to question, even for the sake of Britain in Europe. Russian diplomacy therefore has another excellent opportunity to score a coup. If it does, perhaps the United States will accept Far Eastern responsibilities a bit more fully, and thereby ease pressure on Britain. But the oriental situa-

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tion is in such flux that only speculative conclusions are possible.

Internal Organization. Our preparedness to stand the shocks of neutrality is perhaps the outstanding difference from 1914. Financially, economically, governmentally, and psychologically we have come a long way. In 1914 the New York Stock Exchange closed after fearful panic on July 31 and stayed closed until December 12. In 1939, it felt scarcely a shock. Foreign exchanges were protected by the tripartite monetary agreement. There was no dumping of American securities, and no money stringency. The machinery set up to "cushion the shock of war" was so good that it did not really have to function. For over a year before the outbreak of war, interdepartmental committees had been preparing for the event in the field of financial policy. The Federal Reserve System, the Securities and Exchange Commission, and the Treasury itself were ready to control war boom or war panic, curb credit inflations or deflations, and apply all sorts of levers all the way from closing the exchange to altering the value of the dollar. None of these things was necessary. The country is being given, instead, a dose of diluted war boom with all the statisticians and brain-trusters watching hawklike to determine the patient's reaction. Other special commissions, administrations, and controls—the result of the New Deal's unprecedented adjustments in the national economy—were similarly surveying war resources, natural resources, agricultural supplies and prices, and so on.

Public Opinion. There was an equally great contrast with 1914 in the state of national information. The American people, and the American Government, were and are supplied with a ceaseless flow of expert observation and interpretation of European affairs. Our Ambassadors in London and Paris are exceptionally alert diplomats; our foreign correspondents, in press and radio alike, are experienced, shrewd, and zealous. Their errors of commission generally

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cancel out one another. The national consciousness expected war long before it came, and it was case-hardened to shock. Hence the sinking of the *Athenia*, the capture of the *City of Flint*, the Molotoff criticisms of President Roosevelt, the hostile airs of the Rome and Berlin and Moscow press—in short, nothing from atrocities to abuse produced very much effect on public opinion in an inflammatory sense. Americans took without blinking shocks and buffets which anybody would have said in advance would have swept them into national indignation. In short, the national opinion was worldly wise, pragmatic, skeptical. It was not at all a question of lacking sympathies, which were plainly on the Allied side, but a firm determination to make up our minds in a moral climate conducive to national self-interests alone. Moral certainties were on the wane, and disillusionment has erected a lofty “eastwall”.

III

POWERFUL in affecting the national thinking is the economic weather. We are enjoying a steady upward movement of nearly all the business indices. The cause is only partly the war; principally it is the culmination of gathering forces which the war helped greatly to release. The trigger which sent things shooting upward was an elementary one: fear of rising prices. For months and years American business has been ultra-cautious, partly out of apprehension at Washington policy, partly because the basic economic outlook was far from encouraging to venturers. The outbreak of war took everyone's mind off domestic policies, and naturally stimulated buying all-round. Business inventories had been very low, and mere stocking-up accounts for a good deal of the expansion. Moreover, a sound and inevitable housing expansion has been under way for months. While there was little immediate war-buying from abroad, there were substantial

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effects, such as the freeing of the domestic lumber and pulp industries from Canadian and Scandinavian competition. Our economy emerged in September from a hand-to-mouth period, and now the only question is how long it will last. Some economists anticipate a slump early next year, and already New Dealers are preparing a government spending program to take up the slack in an election year. But others are quite sure that no severe decline will come, and that a rather substantial, steady upturn will continue until European events again intervene.

There is one striking sentiment among business men: a widespread reluctance to get swept into a war boom, or expansion of plant capacity. In the writer's recent trans-continental investigations, he heard this remark from industrialists everywhere: "I am refusing all orders which would force large plant expansion; I'm not going to get caught in a post-war deflation." Such sentiments are part of today's realistic emotional climate. The present dominant generation remembers clearly many of the lessons of the last war, and is determined to act upon them.

IV

FUTURE American policy depends in its articulation upon the next occupant of the White House, and hence the third term issue is of immediate importance. President Roosevelt is today following the policy of the Great Neutral who leans weightily toward the forces of order in the world, and seeks to create his rôle in history in the peace-making. But if the war continues for another year, Mr. Roosevelt will have to obtain a third term in order to secure any such rôle. Nearly every politically possible nominee for the Presidency other than Mr. Roosevelt is vastly inexperienced in foreign affairs. If the war or a severe post-war crisis continues, it will be no time for a presidential candidate of the years and relatively insecure health of Cordell Hull. He

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could stand the strain of the White House, it is charitable to assume, only in a time of tranquillity, and probably he would be the first to admit the fact. Vice President Garner, also a potential candidate, is a couple of years senior to Mr. Hull, and he, too, is far from desirous of being a crisis President. No, 1940's election will undoubtedly call for a vigorous and experienced candidate, and that is where all the advantages go to Mr. Roosevelt.

During the congressional struggle over the neutrality law, the conservative Democrats who had latterly forsaken the President came back into camp. This party unity offers some hope that Mr. Roosevelt might be able to secure the third term nomination from his fellow Democrats, but it is no assurance thereof. However, continuation of crisis conditions would of course assist the President greatly, particularly if in the intervening months he had administered a popular and cautious course of neutrality. Therefore the chances are that, after a political struggle, Mr. Roosevelt really could win his party's nomination once more—the first full-fledged third term nominee in American history.

On the Republican side, there are no men of great experience who are politically available. Herbert Hoover, who has been determinedly seeking to recover prestige and re-establish his party position, still has a long way to go. It is unlikely that he could secure the Republican nomination. Rather, the leading candidates are still Senators Vandenberg and Taft, with the probabilities leaning toward the former. Yet, Senator Vandenberg was one of the isolationist leaders in the fight against repeal of the arms embargo, and the congressional verdict went heavily against his side. Still, he can always say that his error—if any—was to lean toward the side of keeping the nation out of war by any means. Senator Taft crossed the lines and supported the President's neutrality policy. Perhaps he enhanced his chances for the presidential nomination thereby, but not if the party follows the old rule that "the way to oppose is to oppose".

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Whoever the Republican nominee is, with the most unlikely exception of Mr. Hoover, he is probably going to be a relatively untried and inexperienced man. There Mr. Roosevelt will have his great advantage, and his electoral appeal will base on the slogan: "Don't swap horses while crossing a stream." His record of one year's neutrality cautiously administered—if that becomes the fact—his eight years of White House experience, and his eight years from 1912 to 1920 as Assistant Secretary of the Navy will all tell in his favor as a crisis President. Such appeals must balance themselves against the great popular resistance to a third term. American opinion is profoundly distrustful of continued personal power in the hands of one man. Yet the needs of the crisis may overrule such emotions. If they do, continuity of foreign policy may be assured. If they do not, it would be unwise to assume that abrupt changes are inevitable, but they are always possible. In any case, as has been recorded earlier, American opinion is in disillusioned mood. It can only be changed, it would appear, by events in Europe. The conduct of the war to date has only deepened—and that gravely—this disillusionment. Perhaps, as the motives of British strategy are perceived, the situation will alter. But in any case, American convictions are united on a platform of self-protection, and there is no widespread admission that the welfare of the Western Hemisphere is dependent upon the orderly settlement of Europe. Rather, the average man says simply that he is determined to preserve the blessings of the New World. Perhaps, as time goes on, he will revert to an awareness of the indivisibility of the world problem. But that day is not yet, and it cannot come until new winds sweep across Europe. Perhaps, again, the winds are already sweeping and have not yet crossed the Atlantic. We wait, anyway, and not a few are sniffing for the breeze.

United States of America,
November 1939.

NEUTRAL IRELAND

I. ON THE EVE

IN order to understand the Irish attitude towards the war it is necessary to recall the situation which existed on the eve of its commencement. For eight months previously a series of explosive outrages,* preceded by an ultimatum to the British Government, had been perpetrated throughout England by the Irish terrorist organisation known as the "I.R.A." As a result much property had been destroyed and several people seriously injured, some fatally. These outrages culminated on August 25 with a bomb explosion in a Coventry street entailing the loss of five lives. To meet this threat to public order and security the British Government enacted legislation which enabled them to expel from the country persons suspected of I.R.A. activities. All through August numerous expulsion orders were made and carried out under these powers. Mr. Sean Russell, the reputed leader of the I.R.A., who was in America ostensibly collecting funds for this campaign of outrage, stated, in an interview at Chicago on August 13, that the number engaged in the English bombing campaign was between five hundred and a thousand members of his organisation, and expressed the belief that no concession could be obtained from England except by the use of arms. At the same time he added that the last thing they wanted to do was to take life. The concession which the bombs were directed to secure was apparently the evacuation of British troops from Northern Ireland, although nothing could be less likely to secure that result.

* See THE ROUND TABLE, No. 114, March 1939, p. 368; No. 115, June 1939, pp. 591 and 619; and No. 116, September 1939, pp. 802 and 821.

ON THE EVE

The Irish Government, no doubt alarmed by these direct challenges to its authority and aware that this criminal conspiracy was being directed from Ireland, issued proclamations on August 23 putting into force those portions of the recently enacted Offences Against the State Act* which enabled them to set up a special court for the trial of political prisoners and also to search and intern suspected persons without trial. When the constitution of this court was announced on August 25 it was found to consist of the same military officers who had discharged a like duty under the Cosgrave Government in 1931. It is interesting to recall that one of the principal reasons why Mr. De Valera's party were returned to power in 1932 was because they criticised severely the constitution of this very military tribunal and that when elected to office they immediately released the persons whom the tribunal had sentenced to imprisonment for political offences. During its term of office for the last seven years Mr. De Valera's Government have alternately cajoled, rewarded and threatened these terrorist elements but they have never resolutely faced the issue of dealing with them in a decisive manner. They were of course seriously hampered by their own past promises and policy. Elected on a programme which sought to revive anti-English sentiment and led to a prolonged dispute with Great Britain over the retention of the land annuities and other moneys, they encouraged their more extreme followers to believe that they intended to proclaim an Irish Republic. They also developed and enlarged the centrifugal policy of their predecessors in relation to the British Commonwealth until, finally, our connection with that body was reduced to the external association arising from the recognition of the King as the channel for communication with other countries. The settlement of the dispute with Great Britain in April 1938 was unfortunately

* See THE ROUND TABLE, No. 115, June 1939, p. 593, and No. 116, September 1939, p. 805.

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not complete, as the British Government retained its control over Northern Ireland and made no serious attempt either to settle or to promote a settlement of this thorny problem. The failure to achieve a complete settlement between the two Governments afforded Mr. De Valera grounds for reiterated complaints and an excuse for refusing to support British foreign policy. There is no doubt that this situation not only encouraged the extremist leaders to take action in England but also made it impossible for the Irish Government to enter the war on the side of Great Britain. In any event so many of Mr. De Valera's followers suffer from Anglophobia and have a covert belief in the terrorist policy of the I.R.A. that it would have been impossible for him to retain their support had he done so, and a serious split in his party might well have been the prelude to civil war.

In spite, however, of these internal difficulties and the threatening European situation that part of Ireland which is more interested in the horse than international affairs celebrated the Horse Show, at the commencement of August, around the show rings at Ballsbridge. Some of those present could not, however, refrain from speculating how soon the gallant young officers from France, Germany and Great Britain, then meeting in friendly rivalry in the arena, would be engaged in mortal combat.

Yet it was not until August 25 that any official voice in Ireland indicated alarm. On that day Mr. Lemass, then Minister for Industry and Commerce, speaking at the opening of a steel mill at Cove, said that the immediate stoppage of their industrial expansion might prove to be the least serious consequence of the outbreak of a European war. The probable results for the people of Ireland appalled, he said, all who had given thought to it. They were so serious that he expressed surprise that the public mind had not yet sufficiently concerned itself about them. War, he added, would mean a period of great hardship, even if they never heard a shot fired. The virtue of discipline alone

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could help them, and he appealed to those in a position to influence public action in all walks of life to prepare the public mind for the situation that might arise. This speech indicated clearly how little the Government themselves had expected war or prepared the people's minds for such a possibility.

II. NEUTRALITY

ON September 2, the day before Great Britain declared war, the Dail and Senate were hurriedly summoned to pass two emergency measures. The first amended the Constitution by enabling both Houses of Parliament by joint resolution to declare that a state of emergency existed even though Ireland was not actually at war. Both Houses on passing the Bill adopted resolutions to that effect. The second measure was an Emergency Powers Act giving the Government power by order to make such provisions as in their opinion were necessary or expedient for securing the public safety, the preservation of the state, the maintenance of public order, and the provision and control of supplies and services essential to the life of the community. When introducing these two Bills in the Dail Mr. De Valera said that he did not think their policy of neutrality would come as a surprise to anybody, since he had stated last February that in the event of a European war it was the aim of his Government to keep this country out of it. It was, he said, a policy which could only be pursued if they had a determined people who did not wish to injure anybody or to throw their weight on one side or the other. They, of all nations, had known what force used by a strong nation against a weaker one meant. They had known what invasion, what partition meant. They were not forgetful of their own history. As long as any part of their country was subject to the use of force by a strong nation, then their people, no matter what sympathies they had, should look

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to their own country first and consider its interests. He assured the Dail that, in the exercise of the special powers granted to them, the Government would have regard to constitutional right and practice and summon the Dail to meet as frequently as possible. Speaking the same day in the Senate, Mr. De Valera intimated that the German Minister in Dublin had called on him on August 31 to inform him of Germany's peaceful attitude towards Ireland and had stated that if Germany were engaged in a European war the German Government would respect Ireland's neutrality, provided that it was adhered to. Mr. De Valera stated he had replied that the Irish Government wished to remain at peace with Germany as with all other Powers. Whether similar communications concerning our neutrality were made to the British Government was not disclosed.

The policy of neutrality was not challenged by any one during the Dail debate, but Mr. James Dillon, T.D., the deputy leader of the Fine Gael party, who was the first Opposition speaker, said our neutrality should not be taken as meaning that we were indifferent to the issue of the conflict. He said that he believed the vast majority of the Irish people placed their sympathy on the side of Poland, France and Great Britain against Berlin and Moscow, and he thought it right that it should be placed on record. During the Senate debate some speakers expressed regret that the Irish people had not a different conception of where their interests lay, but agreed that the state of public opinion made any other policy impossible. Even the *Irish Times*, which is definitely pro-British in sentiment and the organ of big business and the Protestant minority, admitted that in all the circumstances it was the only policy the Government could pursue. But there are, of course, many people in Ireland who, however much they may wish loyally to accept the Government's decision, cannot be neutral in thought. The great majority of these feel that our interests economic, political and spiritual are so indissolubly bound up with

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those of Great Britain and France that, if those Powers were to go down before the onslaught of Hitlerism, the future of Ireland and indeed of European civilisation itself would be dark indeed. Others, whilst hating Hitlerism and all its works and pomps, cannot forget the cynical dismemberment of Czechoslovakia in which Poland joined, and feel that the present war is only one more move in the game of power politics from which Ireland has everything to lose and nothing to gain. They cannot see why we should participate in this war any more than Belgium, Holland, Switzerland or the Scandinavian countries, all of whom represent the best kind of democratic community. Another point of view is held by people like Professor James Hogan, who holds the chair of History at University College, Cork, and is an authority on the Soviet régime. In a letter to the press, immediately after the commencement of the war, he said that the triumph of Germany and Russia would mean the end of Christian Europe and the inauguration of a world in which there would be no room for those values which redeem the life of man from the life of the beast. At the same time he can only, somewhat illogically, advise that whilst in no way countenancing Germany's conduct we should wait and see.

Another point of view was voiced by Cardinal MacRory, the Catholic Primate of Ireland, in a speech at Derry on October 1. He said that it was the duty of all sincere Christians to pray fervently that the conflict might be speedily ended and be followed by a just peace. There seemed, he said, to be more hope of a just peace now than if the war were fought to a finish; for then, whichever side won, it would probably be a victors' peace sowing the seeds of future wars. Moreover, no Christian could contemplate calmly the prospect of Christians slaughtering one another for three or four years and thus smoothing the way for the spread of Russian Communism. He hoped and prayed no section of Irishmen would do anything in the critical times

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before us to endanger the peace of this country and involve us perhaps in fratricidal strife.

There remains, of course, the irreconcilable minority whose hatred of England blinds them to all other considerations and who would, if they could, assist Germany. For the moment these people can only feed their animosity on German broadcasts. Mr. De Valera, speaking in the Dail on September 29, described the situation fairly accurately when he said that you could divide the people here into two large classes, namely, the great bulk of the population, who, whatever may be their individual views as to its merits, desire that this country should not be involved in the war, and those who feel so strongly about the issues at stake that they wish to involve us on one side or the other. If propaganda were allowed here, Mr. De Valera quite accurately foresees that each element in this latter section would seek to drag us into the conflict. For this reason the Government has enforced a press censorship which under present conditions is certainly essential. So far it has not been abused. Those who may be inclined to jibe at our neutrality would do well to remember the thousands of Irishmen serving with the British forces. For example, nearly one-fifth of those lost in H.M.S. *Courageous* bore Irish names.

In Northern Ireland the outbreak of war was followed by the inevitable sectarian disturbance. A territorial soldier was shot by terrorists in Belfast and others were assaulted. There followed by way of reprisal an attempt by workmen to victimise Catholics employed in certain industries but fortunately the employers refused to countenance such conduct. Lord Craigavon at once mobilised the Special Constabulary, an armed police reserve, to patrol the border and issued a stern warning to the I.R.A., 45 of whom were promptly arrested. War conditions have, however, had to take notice of the geographical unity of Ireland, for, whilst passports or travel permits are required between England

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and any Irish port, no such restriction exists on travel between Dublin and Belfast for the obvious reason that it would be almost impossible to close the land frontier between the North and South. Mr. De Valera's Government quickly followed the example of Lord Craigavon by arresting, on September 15, 93 persons suspected of activities "prejudicial to the security of the state". Of these 67 were permanently detained under the special powers given by the Offences Against the State Act, 1939, and 15 are awaiting trial. A commission had been set up in accordance with the Act to consider appeals against detention. The Civic Guard, or police force, has also been increased by the temporary recruitment of 400 men. Immediately following the outbreak of war two new Ministries were set up, one to deal with the co-ordination of defence, which as we have only one defence force seems rather absurd, and the other with supplies of essential commodities. These new positions were assigned respectively to Mr. Aiken, the Minister for Defence, and Mr. Lemass, the Minister for Industry and Commerce. There then ensued a Ministerial game of general post which lasted for some weeks and finally resulted in the appointment of Mr. Oscar Traynor as the new Minister for Defence, Mr. McEntee, former Minister for Finance, as Minister for Commerce, Mr. O'Kelly, former Minister for Local Government, as Minister for Finance, Mr. Rutledge, former Minister for Justice, as Minister for Local Government, and Mr. Boland as Minister for Justice. The reason for these complicated and protracted manœuvres is not quite clear. The old proverb about swapping horses when crossing a stream would seem to be particularly applicable, especially when some of the riders are poor performers. Criticism has been specially directed to the appointment of Mr. O'Kelly as Minister of Finance, as this gentleman has not distinguished himself as Minister for Local Government. Professor Tierney, Vice-Chairman of the Senate, during the debate in that House on

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October 4, went so far as to say that it was monstrous to expect that the financial problems which confronted us could be settled by Mr. O'Kelly. These changes have made clear the paucity of first-class men in the Government party. The obvious remedy would seem to be to call in the assistance of men of ability outside the Government party and even outside Parliament. A plea for a Government of National Union on these lines was put forward by Mr. Donal O'Sullivan, formerly Clerk to the Senate, in which he urged that such a Government was a necessity in this time of crisis and that it would command the maximum of co-operation. Mr. De Valera's reply to this suggestion, given during a speech in the Senate on October 4, was that there was something more important than experts in government and that was to get men with a full understanding of their people. A Government, he said, who knew each other's minds and had confidence in each other was much stronger than one whose members did not trust each other. The only real objection to such a National Government was voiced by that veteran Nationalist, Mr. Henry Harrison, when he pointed out that Mr. De Valera's Government is in effect a Government of the Centre and that to alter its personnel by adding members of Mr. Cosgrave's Right wing would destroy the present position of equilibrium and be cited as a justification for unconstitutional action by the militant Left. It might also easily lead to the disruption of Mr. De Valera's party.

III. RESULTS AND REACTIONS

ON September 8 it was announced that the Government as a precautionary measure had decided that it was necessary to call up the first line of the volunteer force, and that a recruiting campaign for the regular army would shortly be initiated. This notice, together with the changes in the Cabinet, led to various rumours. These were dealt

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with by Mr. De Valera when he said in the Dail on September 28 that there was no foundation for the rumour that the Government were contemplating the introduction of conscription or that there were party splits or Cabinet dissensions. On September 27 it was announced that, in view of the special problems arising out of the war situation in regard to their mutual economic and political relations, the Government of Ireland and the British Government had agreed that the existing system of communication between them should be supplemented by the appointment of a British representative. This step, long overdue, was advocated in these pages so long ago as December 1934.* Sir John Maffey, a retired Indian civil servant who was later Governor-General of the Sudan and Permanent Under-Secretary of State for the Colonies, has been appointed to this post. He arrived in Dublin a few days later and was cordially received by the Irish Government, who have provided suitable offices for the accommodation of himself and his staff. Up to the present Great Britain has only been represented in Dublin by a Trade Commissioner, Mr. G. Braddock, and, although his relations with the Irish Government and its departments have been of the most friendly and helpful character, it was essential that the wider issues which must now arise should be dealt with by a fully accredited British representative. Our peculiar position is best indicated by this title. The dominating fact that some 50 per cent. of our imports are drawn from Great Britain and some 90 per cent. of our exports are sent to that country makes it essential for agreement to be come to regarding both supply and prices. This will of course be facilitated by the fact that British buying is now organised and controlled. That there will be a strong and continuous demand for Irish agricultural produce in Great Britain is certain, for the short sea journey involved and the fact that Danish supplies may be seriously reduced will undoubtedly help the Irish

* See THE ROUND TABLE, No. 97, December 1934, p. 42.

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farmers. It would be well if those engaged in the negotiations on these matters did not forget that prices which do not properly remunerate the Irish farmers are not likely to yield results. At present they are much hampered by the difficulty in procuring sufficient maize and fertilisers. Without maize our pigs cannot be properly fattened and without fertilisers increased crops will be difficult to grow. In this matter of supplies the British economic war organisation can be of great assistance and no doubt will be. Compulsory tillage is to be enforced in future as to 12½ per cent. of all farms over 10 acres in area. It is believed that next year there will be enough beet to satisfy our entire sugar requirements and enough wheat to meet half the home demand. This year there has been fortunately a bumper harvest. It is quite clear that the conditions which existed in the last war when agricultural prices soared without restriction are not likely to be repeated. There must also be considerable dislocation in our industrial plants and it will be difficult, if not impossible, to avoid serious unemployment. It has indeed already begun in the building trade through lack of timber and other requirements, and many of our new industries are finding it difficult to obtain raw material. Drastic petrol restrictions which came into force on October 2 are bound to affect employment in the motor trade and the various motor-car assembly factories. We shall shortly realise that the doctrine of self-sufficiency, so strongly advocated by the present Government, is not so pleasant in practice as in precept.

In the Senate on October 4 Professor Joseph Johnston, one of our economic experts, raised the question of increasing agricultural production. He said they should approach the problem in a spirit of frank collaboration with Great Britain. If they did that with the declared intention of increasing their agricultural exports, they would make it easier for their neighbour to agree to the necessary imports for their industries. He thought the Government was

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somewhat bewildered and had not given a clear lead. They had maintained their food exports to Great Britain even when they were at war with that country in 1920-21, and they would have regarded it as a most unfriendly act if Great Britain had refused to take them. Great Britain was, he said, the national enemy only in a Pickwickian sense. The wise policy now was to use every effort to expand their agriculture and increase agricultural employment. He advocated especially an increase in the area under root and forage crops which could be used for the feeding of animals or human beings, and which would restore to the soil those elements of fertility which the growing of other crops, especially wheat, had taken from it. There should be an immediate increase of pigs, poultry and dairy cows and an expansion of agricultural labour by better wages and the stoppage of work on roads. Mr. De Valera, speaking at the conclusion of the debate, said the Government recognised their responsibilities and did not want to shrink from them, but no government could save the country from the results of the present world catastrophe. They were bound to suffer and could not maintain the same standards of life as before. What was important was to see that one section did not suffer more than another. Speaking at a meeting of the Vocational Organisation Commission* on the following day Mr. De Valera indicated that in his opinion the people should make as few demands as possible on the Government and do as much as possible for themselves. He expressed the view that the type of organisation which appealed to him was that of small communities, such as parish councils, which would be able to look after their own interests better than any organisation set up by the Government. He did not, unfortunately, explain how such councils were to be set up, or function, without state assistance and a further multiplication of officials. The doings of this Commission have in fact aroused much suspicion in trade union circles

* See THE ROUND TABLE, No. 115, June 1939, p. 596.

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where vocational organisation is associated, rightly or wrongly, with totalitarian and fascist methods. The Chairman, Dr. Brown, the Catholic Bishop of Galway, has just issued an interesting memorandum appealing for information and assistance from the labour organisations in which he is at pains to explain that the Commission are at least unanimous in their abhorrence of state domination in any form. They believe, he says, that democracy should be made real by giving those engaged in an industry a voice in deciding the questions that concern that industry, an aim which can only be achieved by some form of vocational organisation. He points out that the problem of modern times is to find a middle way between unrestrained competition and state control, and that social justice and economic efficiency can only be secured by giving representative democracy its place in economic life.

Our neutrality has raised many difficulties of a constitutional nature, some of which cannot be easily resolved. For instance, the position of Irish Minister in Berlin was vacant at the outbreak of war, and as the Minister designate, Dr. T. J. Kiernan, until recently Director of Broadcasting here, had not yet been appointed by the King, it is now impossible for him to obtain letters of credence, as His Majesty can hardly be expected also to remain neutral. For the moment therefore the Secretary of Legation in Berlin, Mr. Warnock, must continue to look after our important interests in that capital. Such is the lighter side of an "external association" which involves the status of a Dominion in London and that of a neutral in Berlin. Incidentally, although the German Minister remains in Dublin, the remainder of the German nationals here have returned to Germany.

The sinking of the *Athenia* off our north-west coast and the arrival of some hundreds of survivors in Galway brought us quickly face to face with the grim realities of modern war. A branch of the International Red Cross Society has now been established here to deal with such eventualities. Some

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neutral ships bound for Irish ports, although stopped by German submarines, have been allowed to proceed without hindrance on proving their destination. Several crews from torpedoed ships have been landed on our south-west coast and on one occasion a German submarine entered Ventry Harbour, near Dingle, County Kerry, for that purpose. One of our difficulties is that we have no naval force capable of effectively policing our territorial waters and, if the submarine campaign is not kept under control by the British Navy, this may eventually raise serious questions. The position of ships registered in Ireland and flying the national flag is also peculiar. As we have never repealed the relative sections of the Merchant Shipping Act, 1894, our ships under municipal law should fly the British red ensign. Moreover, as the Irish tricolour, so far as can be ascertained, has never been registered internationally, it is not to be found in any code book. It would therefore seem to have no valid existence in international law, although it has recently become the custom to fly it on ships registered in Ireland. One such ship, an oil tanker, the S.S. *Inverliffey*, flying the Irish flag, was sunk by a German submarine on September 11, but she was bound for a British port and her registration had been changed to British while she was at sea. The German submarine commander, although his attention was directed to it, refused to recognise the Irish flag. Cross-channel sailings have also been held up because the crews of some steamers refused to sail under the Irish flag unless the interests of their dependants were safeguarded. Although not yet directly threatened by air attack we have carried out voluntarily a partial "black out" for strategic reasons, and definite regulations on this subject are to be shortly enforced. Such are the difficulties and dilemmas of neutrality and they are not likely to diminish.

Ireland,

November 1939.

INDIA AND THE WAR

I. NEW POLITICAL PROBLEMS

THE outbreak of war in Europe has introduced new problems into the political situation in India. The country is profoundly affected by the European conflict, and no domain within the British Commonwealth faces more difficult questions than those which have presented themselves in India since September 3. At the outset it must be clearly and emphatically recorded that India sides with Great Britain and France, agrees with the basic principles which induced the two democracies to accept Herr Hitler's challenge, and desires the elimination of Hitlerism. Although the Congress party seeks a new political and constitutional basis as an accompaniment to collaboration, the party is nevertheless anxious to play its part in the struggle against aggression. The Princes and the Moslems have definitely shown that their interests lie in securing an Allied victory; but their views are no stronger than those of Congress men, whose political past has made it difficult for them to offer automatic co-operation. Representing the nationalist movement, its leaders have declared their hostility to Nazism and Fascism, but they also have grudges against imperialism, even of the British kind, although the admission is candidly made that British imperialism, with whatever faults it may be endowed, is something much less sinister than the imperialisms which are stalking the continent of Europe.

The war found India in a curious constitutional position. The Government of India Act, 1935, which was designed to establish a federation between British India and the Indian States, had been partly implemented in 1937 by the intro-

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duction of provincial autonomy in British India. Under provincial autonomy the Congress had secured power in eight of the eleven Provinces. But by September 3, 1939, negotiations with the Princes to bring about federation had not been completed and, while consequential changes had been effected in the Central Government by reason of provincial autonomy, the system of administration at the centre remained, to all intents and purposes, the same as that which had been established under the Act of 1919. The result is that, while the Provinces of British India have secured what virtually is responsible government, central authority still vests in British hands, amenable only to a semi-responsible legislature in which the Princes have no voice. This constitutional position has created awkward problems, particularly affecting relations between the Congress and the British authorities. While anxious to play a part in the war against Hitlerism, the party leaders nevertheless felt themselves to be in an invidious position in allying themselves with the imperialism they had always condemned. These leaders realised that their country had been committed to war with Germany not with the sanction of the Indian people but by reason of the country's dependence upon Great Britain.

Shortly after war broke out it looked as if Mr. Gandhi would lead Congress into a position that would give unconditional support to Great Britain. After an interview with the Viceroy, Lord Linlithgow, Mr. Gandhi declared that his own sympathies were with England and France, purely from the humanitarian angle, and he said that he could not contemplate without being stirred to the depths the destruction of London, which had hitherto been regarded as impregnable. He said that while talking to the Viceroy he had broken down when he considered the possible destruction of Westminster Abbey or the Houses of Parliament. He admitted that his non-violent philosophy seemed almost impotent, and yet he had had faith enough

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in its efficacy to make a personal appeal to Herr Hitler in which he wrote :

It is quite clear that you are to-day the one person in the world who can prevent a war which may reduce humanity to the savage state. Must you pay that price for an object, however worthy it may appear to you to be? Will you listen to the appeal of one who has deliberately shunned the method of war not without considerable success?

That was before war broke out, and, in continuing his comment after his interview with the Viceroy, Mr. Gandhi said he had no thought for the present on the question of India's political deliverance. "It will come," he said, "but what will it be worth if England and France fall, or if they come out victorious over Germany ruined and humbled?" Thus, while clearly indicating in which direction his own sentiments lay, Mr. Gandhi nevertheless pointed out to the Viceroy that he carried no mandate to speak for Congress; but he remarked in his public statement that it was in the midst of a catastrophe without parallel that Congress men and all other responsible Indian leaders, individually and collectively, had to decide what part India was to play in the European drama.

II. THE OFFICIAL CONGRESS ATTITUDE

MR. GANDHI'S reference to those holding collective responsibility for the future was obviously directed to the Congress Working Committee, which was due to meet at Wardha to outline an official war policy. It was thought by many that Mr. Gandhi's statement, with its implicit offer of unconditional support, would result in the Working Committee making a similar gesture, although political observers admitted that the Committee would find this extremely difficult in view of the past history of Congress. For years the organisation has been denouncing British imperialism, and the Act of 1935, notwithstanding

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the extent of its devolution of power to Indian hands, has never been regarded by Congress men as a genuine surrender of imperial power. Political activities were in full swing against the introduction of federation when war broke out, and it was not easy for the Working Committee to forget overnight the campaign it had been waging for twenty years. Nor were the Princes and Moslems enamoured of the federal scheme, although their opposition was directed against the Congress rather than the British. The Princes hesitated to associate themselves with a constitution in which popular elements would have an important say; the Moslems strongly opposed federation on the ground that their community would be subjected to a Hindu domination. This general opposition to federation had created dissensions in India, and it became obvious that India's war effort would be seriously handicapped if the controversy were pursued in war time. Thus the Viceroy, addressing the Central Legislature on September 11, announced that the compulsion of the international situation had prompted His Majesty's Government to "hold in suspense the work in connection with preparations for federation, while retaining federation as our objective".

The removal of this domestic controversy enabled the Working Committee to concentrate its attention on the party's war policy. Like Mr. Gandhi, the Committee in a manifesto showed itself strongly against the ideology and practice of totalitarian systems, with "their glorification of war and violence and the suppression of the human spirit". But, unlike Mr. Gandhi, the Committee asked for assurances regarding the future trend of British imperialism. Objection was taken to the fact that India had been declared a belligerent country and that emergency war measures had been introduced without the consent of the Indian people. The claim was made that the issue of war and peace should be determined by Indians themselves and not by an external authority, such as the British Power was claimed to be. The

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Committee, therefore, sought a clear declaration about the future which would pledge the British Government to the ending of all imperialisms alike, adding that "the real test of any declaration would be its application in the present". In effect, the manifesto put Nazism, Fascism and British imperialism in one class, and contended that if the war was to defend the *status quo* of imperialist possessions, colonies, vested interests and privileges, India would have nothing to do with it. On the other hand, the Committee expressed the deepest sympathy with the peoples of Abyssinia, Spain, China and Poland, and said the horror of violence in Europe must be checked, although it would not end until the root causes of all imperialism were removed. To that end the Working Committee was prepared to give collaboration.

Although some sections of the nationalist press had strongly supported Mr. Gandhi's attitude, it quickly became clear that the Congress press inclined to the policy which the Working Committee had outlined. The new position was succinctly stated by the *Hindu*, the Madras newspaper, which said that the Committee's manifesto disclosed

a conflict between sympathy with the immediate and professed objective of Great Britain and suspicion of British intentions, which Britain's record as an imperial power and, in particular, her attitude towards Indian aspirations have inevitably implanted in the minds of the Indian people.

The demand became strong that His Majesty's Government, through the Viceroy, should give an assurance as to India's post-war status. It was generally understood that Pandit Jawaharlal Nehru was mainly responsible for the manifesto, particularly as he had been the guiding spirit in Congress circles on all international issues, and it was also recognised that the manifesto marked an attempt to maintain the unity of Congress by appeasing those Left wing elements, under the leadership of Mr. Subas Chandra Bose, who have lately advocated a definite break with Great Britain. But the manifesto placed the British authorities in

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a difficult position. While it was recognised that the past record of Congress made it awkward for its leaders to offer unconditional war support, there were also practical difficulties in defining Great Britain's war aims, and more particularly in defining them in relation to India's political future. Among the perplexing points raised by the manifesto was an indication that the Congress leaders expected the immediate application in India, so far as was possible, of whatever policy Great Britain contemplated. This proposal raised in acute form the very difficulties to which the establishment of federation has been mainly due—communal discord and distrust between British India and Indian India.

III. THE MOSLEM ATTITUDE

THE existing disunity became apparent when the Working Committee of the All-India Moslem League met in Delhi to define its attitude towards the war. Mr. M. A. Jinnah, President of the League, had seen the Viceroy, who kept himself apprised of political opinion in the country by seeing various leaders of political groups. The resolution adopted by the League clearly showed the suspicion felt by Moslems towards the growing power and prestige of the Congress. While the League stood for the freedom of India, it asked an assurance from His Majesty's Government that no declaration regarding constitutional advance for India should be made without the consent and approval of the League, and that no constitution should be framed and approved without that consent. This was a direct challenge to the Congress demand for a declaration from the British authorities. Moreover, the resolution showed the anxiety felt by Moslems as to their future under the 1935 Act. They were pleased that the work of preparing for federation had been suspended, and would have been still better pleased had the whole project been entirely

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abandoned. Harking back to an earlier declaration, the League deplored the British effort to bring about federation, believing it to be an attempt to force the Moslems against their will into a constitution which "permitted a permanent hostile communal majority to trample upon Moslem religious, political, social and economic rights". The League condemned the rape of Poland, expressed sympathy with Great Britain and France, but contended that real and solid Moslem co-operation could not be secured successfully if the British authorities were unable to obtain justice and fair play for Moslems in the Congress-governed Provinces. The Moslems have asserted that under provincial autonomy their "liberty, persons, property and honour are in danger, and even their elementary rights are trampled upon". The League urged the British to use their special powers to secure better treatment for Moslems under Congress rule.

The Moslem attitude was roundly condemned in the nationalist press, chiefly because the League had proved that Congress does not speak for the whole of India, a claim that is constantly made by Congress leaders. The Princes also contest the claim, as do the Liberals and the Hindu Mahasabha (orthodox Hindu body). The forward bloc within the Congress organisation also issued a number of resolutions which did not tally with the Congress manifesto in several particulars, and went so far as to deplore the war preparations which the Central Government had taken and the action of the Provincial Governments in implementing ordinances which had been imposed to meet the war emergency. The conflicting policies of all these various groups greatly detracted from the Congress claim to speak for the country, and minority elements became suspicious lest some "deal" should be made with the Congress with a view to ensuring the party's collaboration in war. Some moderating influences were exerted, chiefly from Allahabad, where the Liberal newspaper, the *Leader*, was

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making pleas for unconditional support of Great Britain. Sir Tej Bahadur Sapru, the veteran Liberal statesman, contended that any question of controversy with the British regarding the future of India must stand over until the common peril was past. He held that self-interest alone demanded that everything possible should be done by unreserved co-operation with the British. Sir Tej believed it would be disastrous if India were to offer help conditionally, and the emergency was no occasion for a mere theoretical fight on the basis of ideological differences. Several newspapers supported these views, and they also agreed with the suggestion which Sir Tej made for the creation of a provisional federal government, a scheme that was being propounded with enthusiasm by the *Statesman* of Calcutta and Delhi.

IV. THE VICEROY'S DIFFICULTIES

INDIANS instinctively looked to Lord Linlithgow for a solution of the problem posed by the Congress leaders. After his declaration showing that unconditional support was his own policy, Mr. Gandhi nevertheless felt bound to accept the ruling of the Working Committee, and he quickly became the chief spokesman on behalf of the Congress demand for a British declaration. He stressed the need for an assurance from Great Britain that all the dependencies under the Crown should be granted the fullest political freedom, and saw no difficulty in giving immediate practical effect in India to such a declaration which in his opinion would imply war collaboration on terms of equality between Indians and British. He believed the practical machinery for such collaboration could be based on the existing Central Legislature. Thus Mr. Gandhi became the prime protagonist of the Congress case, and the view was widely held that in association with the Viceroy he could bring the issue to a conclusion that would satisfy Indian opinion. Meanwhile,

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Pandit Nehru rose to new heights in the Congress. As the party's expert on international affairs, it was thought fitting that he should become chairman of a war committee which Congress created, and, as it was generally known that the Congress manifesto had been prepared by him, it became obvious that he had secured a fresh hold on the Congress policy for the future. Prior to the outbreak of war the Viceroy had consulted Indian opinion about the despatch of Indian troops overseas, and when war broke out, he continued these consultations with political leaders. Pandit Nehru was among the leaders invited to Delhi.

Emergency ordinances had been promulgated by the Central Government in the interests of internal security and for the effective prosecution of the war, and it was hoped there would be no difficulty in regard to the implementing of these war measures by the Congress Ministries in the Provinces. Hints had been thrown out in some newspapers that these Ministries might vacate office rather than be subjected to a central authority which had no popular sanction, but during the early stages of controversy about a British declaration of war aims there was no indication that the Ministries were intending to resign. The issue would clearly depend on the outcome of the controversy which has been described above. On the one hand, all India was opposed to Hitlerism; and recent events in the Far East and in Europe had convinced nearly all except a handful of extremists that her association with Great Britain was a protection which India cannot afford to lose at this stage of her constitutional evolution. On the other hand, leading Congress men were unwilling to offer whole-hearted service to a cause which meant freedom for others if it did not imply greater political freedom for themselves.

The press offered various suggestions for ending the controversy. Chief among them was the need for a declaration which would indicate what India might expect in the way of constitutional advance after the war. Dominion

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status was urged by some, independence in the sense of separation from the British Commonwealth by others. But most writers, including Pandit Nehru, asked simply for "freedom". Some newspapers, including British-owned ones, recommended the formation of some kind of coalition government at the centre, which would collaborate with the British in winning the war, and form the nucleus of a federation when the war ended. This scheme found general favour among Indians. But underlying all the proposals was a plea for political unity and a solution that would enable India, and particularly the Congress, to contribute its services to the British war effort. Moderate opinion was behind Mr. Gandhi in offering unconditional support. Some commentators, such as the *Hindu*, maintained that "the triumph of right and justice in this war will be a victory for India's self-government, though that may not be the direct issue". The *Hindu* went farther. It held that there could be no question of Congress Governments in the Provinces having to do anything repugnant to their own wishes or principles in carrying out agency functions on behalf of the Central Government. This implied that there was unwillingness among some Congress elements to bring about the resignation of Congress Governments.

Lord Linlithgow moved with caution. It was recognised that the Congress demand raised important constitutional issues; it was also appreciated that the attitude of the Moslems and other minorities made it difficult for the Viceroy to meet the Congress demand; it was felt that the Princes would have to be considered in any declaration that His Majesty's Government might make. The simple case for a declaration which the Congress made out was complicated by demands from other groups, which were often contradictory and frequently mutually destructive. Lord Zetland made a statement in the House of Lords which indicated that the Congress demand was inopportune, a view that was generally regarded as unfortunate. But the statement

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clearly hinted at the practical difficulties which lay in the way of meeting the Congress request. Some sections of the nationalist press gave the impression that the Congress demand was not so altruistic as it appeared to be, and plainly was intended to secure now a binding pledge of future policy towards India. Yet to meet the Congress case by promising something that exceeded the Act of 1935 was bound to excite the implacable hostility of the Moslems, with all the repercussions such hostility would have upon recruitment and war effort in the martial areas of the Punjab. The Moslems have shown with emphasis that the existing plan of federation is too liberal from their standpoint, and that an alternative constitution showing greater liberality would be even more objectionable to them. Moreover, the hesitancy shown by the Princes to enter federation was largely traceable to their dislike of a close political association with the Congress, whose members have shown more enthusiasm than tact in urging constitutional reforms in the States. Lord Zetland's statement in the Lords obviously had these difficulties in mind; the same difficulties were facing Lord Linlithgow.

V. SEEKING A SOLUTION

THE Viceroy invited fifty-two political and community leaders to meet him in Delhi to discuss the problems raised by his Congress demand. Among those invited were Mr. Gandhi, Pandit Nehru, Babu Rajendra Prasad, President of Congress, and Mr. Jinnah; there were also representatives of the Liberals, the Scheduled Castes, and the Hindu Mahasabha. The spirit of consultation had never before been so prominent in Indo-British relations and there was subdued optimism that some agreement would be reached that would enable the Congress to ally itself with the British authorities in the prosecution of the war. In due course the Viceroy issued a statement, but it was received

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with keen disappointment in India. Nevertheless the statement contained some specific declarations which undoubtedly advanced the controversy to a stage where solution was possible. The Viceroy clearly emphasized that Dominion status remained the constitutional goal; he announced his intention to create a Consultative Group at the Centre for the purpose of associating Indian opinion with the prosecution of the war; and he made an authoritative declaration on behalf of His Majesty's Government that at the end of the war the British authorities would willingly enter into consultation with Indians to secure modifications of the federal scheme in the light of Indian views. Underlying the statement was an indication of the difficulties the Viceroy had been facing in his interviews with political and community leaders. It suggested that rival views were held by opposing elements, not only regarding the Congress demand for a declaration of British war aims but also in regard to the future of the Indian constitution.

The Nationalist press contended that the Viceroy's declaration fell far short of meeting the Congress case, particularly in respect of the Congress demand for independence, for which the Viceroy's reiteration of the existing constitutional policy was considered to be an insufficient substitute. While British-owned newspapers welcomed the decision to modify the Government of India Act after the war, the Congress press emphasized the difficulties of securing unanimous agreement among Indians and claimed that Congress represented a sufficiently overwhelming body of opinion to justify a greater consideration for its views. The proposal to establish a Consultative Group to associate Indian opinion with the conduct of the war was regarded as no logical solution for a constitutional position which linked responsible Provincial Governments with a Central irresponsible administration. The Congress disappointment took a practical form and the Working Committee ordered the resignations of the eight Congress Ministries in the Provinces.

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Statements issued by Mr. Gandhi and others showed that the Congress leaders were greatly irritated with the turn events were taking, and the belief emerged that the Viceroy in seeing so many communal representatives had added to the difficulties of a solution. The debate in the House of Commons did little to appease Indian opinion, although prescient political commentators believed that the Congress case could have been met within the terms of Sir Samuel Hoare's speech. In that speech Sir Samuel pointed to the communal differences as a hindrance to constitutional progress, but he also emphasized the need for agreement among the communities and pledged British collaboration in securing it. The Nationalist press asserted that the speech contained no specific assurance to the effect that India would secure political equality with the Dominions after the war. It was claimed that constitutional advance by gradual stages was no longer acceptable to Indian opinion, and the demand was repeated that responsible government should be conceded in full to India after the war and the right given to Indians to prepare the kind of constitution they wanted.

The Viceroy's declaration and the debate in the Commons did, however, strengthen the belief in India that a settlement of the communal question is a prerequisite to political progress; and the opinion developed that Indians themselves should find a solution for the problems which keep the communities apart. While there is still a tendency to blame the British authorities for the existence of communalism, it is now generally admitted that communalism exists in acute form. But the Nationalist press sees no reason why this should prevent the British Government from giving a declaration that India will secure independence after the war. The basic cause of the controversy lies in the contrasting approaches which are made by the British and the Congress towards the independence issue. The British assert that Indians should compose their internal differences and produce the conditions which make Dominion status inevitable;

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the Congress ask for a declaration of independence for India which will leave Indians to settle their domestic differences by themselves. Congress spokesmen and others believe that the British might well give this assurance, as it implies that the onus for finding the requisite agreement will rest with Indians.

This simplification of the main problem does not, however, wholly remove the difficulties which face the Viceroy. The Moslem suspicion of Hindu domination at the Centre is now so strong that Moslem leaders have even become suspicious of the democratic principle as the basis of Indian government. The Moslems were particularly pleased when the Viceroy announced that work on the federal project had been suspended, and they would be even better pleased if it could be stated that Federation had been given up entirely. There is, indeed, a tendency for Moslems to exercise a right to veto any constitution that may be devised. While Congress still aims at a unified India, which will associate British India with the Indian States, the Moslems are moving more and more towards separatism and the creation of a Moslem Ulster in the country as a means of protecting Moslem interests and culture. It is clear that the Congress will have to do something to meet the Moslem case, otherwise the vision of a unified India will evaporate.

In spite of the new difficulties created by the resignation of the Congress Ministries the Viceroy continued to seek a settlement and he invited Mr. Gandhi and Dr. Prasad, as representing the Congress, and Mr. Jinnah, representative of the Moslem League, to meet him in a joint Conference. A white paper issued later disclosed that the Viceroy invited the representatives of the two parties to come to some agreement regarding Provincial communal problems, as a preliminary to further discussions which were intended to explore the possibility of expanding the Viceroy's Council to include political representatives. The ensuing conversations between the party leaders failed to find an agreement,

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chiefly because the Congress leaders regarded a declaration of British intentions towards India as an essential preliminary to any subsidiary discussions. What the party leaders actually discussed is not known, but the Viceroy in his statement on the situation indicated that "there remains to-day entire disagreement between representatives of major parties on fundamental issues". The Congress leaders apparently regarded the controversy as a political and not a communal one, although actually the two issues are interwoven and can scarcely be separated. In a broadcast speech the Viceroy emphasized his intention to continue to try to find a solution, and his determination to do so reflects general opinion in India. Even in the Congress press emphasis is laid on the need to come to some amicable arrangement, although the party leaders appear to be unwilling to compromise until they have secured a declaration from the British Government that India will attain her independence at the end of the war and be endowed with the authority to frame a constitution for the country through the agency of a Constituent Assembly.

India,
October 1939.

GREAT BRITAIN

I. THE WAR BEGINS

SO critical had the international situation become in the latter half of August that even the many inhabitants of Great Britain on holiday realised that the odds on war were rapidly shortening. It is probably true to say that, while in September 1938 there was a large section of opinion which still believed that peace could be preserved, in August of this year after the non-aggression pact between Germany and Russia had been signed, 99 per cent. of the population prepared for the worst.

Fortunately, this time they were able to do so in the knowledge that the foundations of preparedness had already been laid. The full mobilisation of the Navy, ordered on August 31, merely rounded off a measure which had begun over a month previously when a large part of the Reserve Fleet had been called out. And the Proclamation of the following day mobilised an Army which, including the Reserves, the Territorials and the Militia, had virtually been doubled in the course of the year, and an Air Force which only four weeks earlier had had a full-dress rehearsal. The most conspicuous weakness of September 1938 had also been remedied, and Britain's fourth and youngest service, that of Civil Defence, was standing by. On the day of general mobilisation all A.R.P. personnel were called up; and by instructions to local authorities and to local A.R.P. controllers to set up their emergency committees and to requisition buildings for shelters and first-aid posts, the whole machinery of Civil Defence was put into operation.

At the same time as the mobilisation of the services was proceeding, the evacuation of the schoolchildren and other

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priority classes from London and other vulnerable areas was taking place. Here it was a question of putting into force plans which had been hastily conceived in September, 1938, and slowly brought to maturity in the ensuing months. When the evacuation order was given for September 1, school-teachers and helpers had already been standing by for nearly a week; and the task of transferring the school-children and other priority classes was carried out without a hitch. The chief disappointment was the comparatively small number who availed themselves of the opportunity to leave the vulnerable areas. The plan had been intended to cover about 3,000,000 people, of whom about 1,500,000 were schoolchildren. The actual number evacuated was only about 1,400,000, of whom 750,000 were schoolchildren, 542,000 mothers and young children, 12,000 expectant mothers and 77,000 others.

By the time of Mr. Chamberlain's historic broadcast pronouncement that war had been declared, the country was, therefore, already on a war footing. To the ordinary individual this was most apparent in the evacuation scheme, in the black-out regulations which came into force on September 1, in the restriction of home broadcasting to a single service, and in the prohibition of all entertainments, football and cricket matches, and other public gatherings. What he did not immediately realise, in the first shock of war, was that these were only a few outward symptoms of a complete reorganisation of national life and the setting up of a vast machinery of state.

II. THE MEN IN CHARGE

THOSE responsible for putting the new machinery into action were virtually the same men who had directed the Government for the last few years of peace. But in announcing the formation of his War Cabinet of nine on September 3, the Prime Minister revealed that he had not

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been entirely deaf to the calls for new blood in the Government. The appointment of Mr. Churchill to the office he held at the outbreak of the Great War—First Lord of the Admiralty—was almost a foregone conclusion. So, too, was the return of Mr. Eden, who, though outside the War Cabinet, as Dominions Secretary was to have special access to it. But the news that Lord Hankey was to have a place in the War Cabinet as Minister without Portfolio was unexpected; though welcome and significant in that he brought the vast experience accumulated as Secretary of the Committee of Imperial Defence from 1912 to 1938 and Secretary of the War Cabinet and later of the Imperial War Cabinet in the last war. Members of the new War Cabinet who retained their old offices were Sir John Simon, Lord Halifax, Lord Chatfield, Mr. Hore-Belisha and Sir Kingsley Wood. Sir Samuel Hoare, who succeeded Sir John Anderson as Lord Privy Seal, made up the ninth member.

Outside the War Cabinet there were more Ministerial changes. Sir John Anderson became the Home Secretary and Minister of Home Security, thus continuing under another title his old charge of organising A.R.P. Lord Stanhope moved from the Admiralty to be Lord President of the Council in succession to Lord Runciman. Sir Thomas Inskip became the new Lord Chancellor. New offices were filled sometimes by existing Ministers and sometimes by new recruits. Thus, Mr. Morrison became Minister of Food as well as retaining his old office of Chancellor of the Duchy of Lancaster; and Mr. Ernest Brown tacked on the title of Minister of National Service to his title of Minister of Labour. A former Cabinet Minister, Sir John Gilmour, was brought back when the Ministry of Shipping was set up in October. But newcomers were appointed to the biggest of the new Ministries, Lord Macmillan becoming Minister of Information and Mr. Ronald Cross Minister of Economic Warfare. Close consultation with the Empire has been maintained by the arrival in London of representatives

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of the Dominions and India and by the unprecedented appointment of Sir John Maffey to be the representative of the Government of the United Kingdom in Eire.

An obvious gap in the constitution of the new Government is the absence of any members of the Opposition parties. At a joint meeting of the Executives of the Labour party and the Parliamentary Labour party, the Prime Minister's invitation to the Opposition leaders to join the Government was considered and declined. Sir Archibald Sinclair and his fellow Liberals refused a similar invitation. But in taking this step the Opposition parties emphasised that they intended to support the Government wholeheartedly in the prosecution of the war, and party contests at by-elections have been suspended. Both parties felt, however, that the preservation of an active and vigilant Parliamentary Opposition was of more use towards a successful conduct of the war than the mere emphasis of national solidarity, which already existed so demonstrably that to endorse it by joining the Government would have been superfluous, especially, as the Liberal leader pointed out, since the invitation did not include a place in the War Cabinet. Further evidence of the willingness to sink political differences was provided by the Trades Union Congress which on September 4 declared its approval of the Government's policy. It also revealed that contact between the General Council of the Trades Union Congress and the Government was being established. This has since been confirmed by the announcement that a national advisory council, composed half of employers and half of trade union leaders, had been appointed to the Ministry of Labour, and that similar advisory councils of trade union leaders were attached to the Ministry of Supply and the Ministry of Food.

III. THE WAR EFFORT

CONTACT between the trade unions and the Government is particularly important in view of the tremen-

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dous task of ensuring that the country's man-power is fully utilised. The National Service (Armed Forces) Act, which was passed on the day war was declared, makes all able-bodied men, aged 18 to 40 inclusive, liable for service in the armed forces of the Crown. But it has long been recognized that the industrial no less than the fighting front must be adequately manned. The Schedule of Reserved Occupations gives a list of trades and professions which can least easily spare men; and the Control of Employment Act is designed to ensure that vital industries are not held up for lack of labour supplies. Wide powers were originally given by it to the Minister of Labour to control by Order all engagement of employees. These powers were modified after discussion with representatives of the employers and the trade unions; and the Bill as finally passed contains safeguards against transferring a workman against his will, and permission to an employer to engage a workman may not be refused unless alternative employment is offered. A clause, too, provides for the continuance of the regulation of entries into particular employment by the trade unions and the employers. This underlines the fact that the Bill does not introduce dilution of labour. But though that has not yet come, a small but significant start was made as early as August 31 when an agreement was reached between the Engineering and Allied Employers' National Federation and the Amalgamated Engineering Union for the utilisation in the engineering industry of semi-skilled labour "where it can be shown that skilled men are not available and production is prejudiced".

If the Ministry of Labour has power to ensure the best utilisation of industrial man-power, the Ministry of Supply has power over the output of munitions and the control of raw materials. By the end of the first two months of war the Ministry had spent about £110,000,000 in new commitments; and 10,000 factories were engaged on direct orders alone. The Ministry has the power to compel industrialists

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to give priority to government orders; it can restrict non-essential industries. With the help of its controls that have been established for a host of important raw materials, including iron and steel, non-ferrous metals and wool, it can ensure that competition for the materials of war is eliminated; it fixes maximum prices; and, in sum, has the power to mobilise the whole industrial resources of the country for one end.

In the meantime, on the fighting front recruitment for the services has been in strong contrast to the situation in 1914 when there was an immediate rush to enlist. The expansion of the Army before the outbreak of war, and the introduction of conscription, had already provided the country with an army of nearly one million men. It is clearly useless recruiting more men than can be trained, clothed and equipped; and since war broke out only one Proclamation calling up men under the National Service (Armed Forces) Act has been made. Men who on October 1 had reached the age of 20 but not 22 have had to register, but the quarter of a million affected by this Proclamation will not actually be called up for training until the men, who still remain to be called up out of the quarter of a million registered in June under the Militia Training Act, have been absorbed.

The existence of conscription, and the size of the Army, have naturally restricted the amount of voluntary enlistment. Nevertheless, the announcement by the War Office on October 27 that voluntary enlistment to certain regiments of the line was to be opened for men between the ages of 22 and 35, and that men between 35 and 50 could join a new corps—the Auxiliary Military Pioneer Corps—which would help in maintaining supplies to the forces, met with a quick and eager response.

What is this effort to cost? At the outset of war Parliament voted a credit of £500,000,000. Adding this to the pre-war estimates of expenditure on the four services gives

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an expenditure for war purposes this year of £1,249,000,000 out of a total expenditure of £1,933,000,000. To meet this expenditure, revenue on the pre-war estimates was to bring in £942,000,000; but Sir John Simon, in introducing his war budget on September 27, said that the effect of the war would be to reduce the estimates by £54,000,000. The standard rate of income tax was therefore to be raised to 7s. in the £ for 1939-40 and to 7s. 6d. for 1940-41; the rate charged on the first £135 of taxable income was raised this year from 1s. 8d. to 2s. 4d.; and next year the allowances are to be reduced. The rates of surtax and estate duty were also increased, the total increases in direct taxation being estimated to yield an additional £76,500,000.

Heavy additions were also made to indirect taxation, the Chancellor sticking to the old favourites of alcohol, tobacco and sugar. The only new tax introduced was an Excess Profits Tax which, unlike its predecessor, the Armaments Profits Duty, applies to all firms. It is to be levied at the rate of 60 per cent. on all profits above a pre-war base year. The net effect of these taxes, drastic as they seemed, was to raise the revenue estimates by only £107,000,000 to £995,000,000, leaving £938,000,000 to be met by borrowing.

IV. THE NEW BUREAUCRACY

SO great is the war effort to be made that it has called forth intervention by the State in almost every aspect of national life. On August 24 the Emergency Powers (Defence) Act, which enabled the Government to impose regulations for the defence of the realm by Orders-in-Council, was passed almost without comment and certainly without opposition. Nearly a week before war broke out ninety-six regulations were issued under the Act, dealing with the control of information, the control of communications, shipping and transport, the right of evacuating areas and billeting. Within a few days thirty-two similar regula-

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tions were issued; and Orders under the regulations had begun to appear. In addition to the wide powers possessed by the Government under this Act, further powers were given by a whole series of new statutes, Act following upon Act in such quick succession that sixteen became law on one night alone.

For the most part the new legislation concentrated the Government's hold upon the resources of the nation. For instance, the Currency (Defence) Act authorises the use of the Exchange Equalisation Account for war purposes; the Trading with the Enemy Act gives statutory force to the common law prohibition of trading with the enemy; the Ships and Aircraft (Transfer Prohibition) Act makes the transfer or mortgage of ships and aircraft subject to licence; the Import, Export and Customs Powers (Defence) Act places the country's foreign trade in the hands of the Board of Trade. The resources of man-power are affected by the National Service (Armed Forces) Act and the Control of Employment Act which have already been mentioned, and also by the National Registration Act, under which a census was taken on September 29 of every individual in the nation.

The whole organisation of the City of London was changed by the Defence (Finance) Regulations issued under the Defence (Emergency Powers) Act. These again aimed at the mobilisation of resources, and their most important provisions were those which transferred private holdings of gold and assets in certain foreign currencies—United States and Canadian dollars, French and Swiss francs, Swedish and Norwegian crowns, belgas, guilders and pesos—to the Government; holders of securities in these currencies had to declare them so that they may be mobilised when the need arises. For these currencies the Bank of England fixes official buying and selling rates; and dealings in all foreign currencies are ultimately centred in the Bank. The purchase of any foreign currency is subject to official permission, but the reasonable requests of importers are complied with.

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Like the old foreign exchange market, the gold market has disappeared. The price of gold is now fixed by the Bank of England (the price has been 168*s.* a fine ounce since the outbreak of war), and the only business done has been the sales of gold to the Bank from Continental hoards. The silver market escaped the bureaucratic axe for the first few weeks, but a Board of Trade Order made on October 26 prohibited the import of silver except under licence and condemned the silver market, like the gold market, to oblivion except for commercial purposes.

The Bank of England itself was not immune from the financial mobilisation. The whole of the gold in the Issue Department, except for an odd £100,000, was transferred to the Exchange Equalisation Account on September 6, and the fiduciary issue was consequently raised from £300,000,000 to £580,000,000. It says much for the confidence felt in the monetary system that this transfer could take place at a time when the note circulation was reaching a record level. The same Bank Return that revealed that the gold in the Issue Department had been transferred showed that the note circulation had reached nearly £550,000,000. The peak came a week later at £553,500,000; and in addition postal orders had been legal tender from the outbreak of war. Bank rate, which had been unchanged for more than seven years, had been raised from 2 to 4 per cent. on August 24.

On the Stock Exchange business had for so long been restricted by near-war conditions that from the point of view of activity the outbreak of war made little difference; and as early as August 23 official minimum prices had been fixed for gilt-edged securities. In strong contrast to 1914, however, the market was only closed for four working days, two of which were due to the curtailment of transport during the evacuation period. But when it reopened it was on the basis of cash bargains only; and the capital market is now under complete control, Treasury consent being required for virtually every capital issue.

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Another batch of laws aimed at softening the impact of the war on civilian life and property. The Personal Injuries (Emergency Provisions) Act provides for compensation in the event of death or injuries to civilians from air-raids or other military operations; by the Unemployment Assistance (Emergency Powers) Act allowances can be made to persons outside the scope of the Unemployment Assistance Act who are in distress by reason of the war; the Courts (Emergency Powers) Act prevents a person, without the leave of the Court, from proceeding to execution on any judgment or order of a Court for the payment or recovery of a sum of money. The Compensation (Defence) Act provides, inadequately it is true, for compensation in respect of taking possession of land and the requisitioning of vessels, vehicles, aircraft and other goods. The Rent and Mortgage Interest Restrictions Act provides that there shall be no further de-control of houses and extends the same form of control to all houses with a rateable value of up to £100 in the Metropolitan Police District, £75 elsewhere in England and Wales and £90 in Scotland.

So many and so sweeping have been the new regulations and legislation put into operation that it is hardly surprising that a new bureaucracy has arisen to implement them. In some cases, as in finance, the new powers are placed in the hands of existing Departments. In other cases, Departments in their infancy have grown to full size in a night. The Food (Defence Plans) Department of the Board of Trade, for instance, which had existed since 1936, blossomed into the Ministry of Food with control over the prices and distribution of food. The Ministry of Supply, the Cinderella of the present Government, has been transformed into an organisation of a size and importance of which it is not itself fully aware. Finally, there are the entirely new Departments, new in the sense that they were born with the war although conceived many months previously.

Of the latter the one that has so far come in for most

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publicity has been, perhaps naturally, the one concerned with it. On the outbreak of war the Ministry of Information was charged with the functions of distributing news at home, propaganda abroad and censorship. Obviously, the first and the last of these are functions which touch a press-conscious public very nearly; and the absence of news, together with the delays and muddles of the censorship, immediately evoked a storm of criticism in the press and in Parliament. As the weeks passed, to criticism of the Ministry's work was added criticism of the personnel. Complaints of the number of the staff were voiced in the House of Commons, and calls for economy were made. Early in October, therefore, the Government gave way to public opinion and reorganised the Ministry by giving back to the other Government Departments their pre-war direct contacts with the press and making the censorship responsible not to the Ministry but to the Departments themselves. As the result of this reorganisation the staff of the Ministry was reduced by about 30 per cent.

The Ministry of Economic Warfare has fared more happily. If the foreign trade of Great Britain is now controlled by the Board of Trade, the Ministry of Supply, the Ministry of Shipping and the Treasury, it is the Ministry of Economic Warfare which has been entrusted with the task of strangling Germany's trade and preventing supplies from reaching her. All ships passing the British contraband bases have to call in to have their cargo manifests examined. If the Ministry's officials think there is evidence that cargo, on the contraband or conditional contraband list, is destined ultimately for Germany, the cargo is detained pending a final decision by the Prize Court. In this way Germany's attempts to maintain her supplies through neutral countries are defeated. A measure of the success so far achieved is found in the figures given for the amount of contraband seized by the British contraband control in the first eight weeks of war. Of the total of 400,000 tons suspected of

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being intended for Germany, over 87,500 tons were petroleum products; 30,000 tons oils, oilseeds and fats in which Germany is notoriously short; 21,500 tons of aluminium and bauxite; and 11,000 tons of wool, cotton and other fibres.

V. STOCK-TAKING

ON the fighting front the first two months of war have been vitally different from 1914 and different, too, from what had been expected. In 1914 a small British Expeditionary Force found itself engaged in fierce hostilities as soon as it crossed the Channel. Twenty-five years later a larger and more mechanised force has been transported to France but has not yet been engaged in action. In 1914 the submarine menace had yet to come. In the present war, submarine offensive was taken against merchant shipping at the outset, and in the first two months the total of merchant tonnage lost by submarine or other methods was 238,795. Contrary to expectations, it has been the Navy and not the Royal Air Force which has suffered the greatest losses. The sinking by submarine action of the aircraft carrier *Courageous* on September 18 with a total loss of 515 officers and men, and of the battleship *Royal Oak* at the end of the second week in October with a loss of 810, have been to date the major disasters of the war.

But if the Royal Air Force has not yet been called upon to withstand heavy air attacks on Great Britain, it has been trying out its activities along other lines. The leaflet and reconnaissance flights over Germany and the Western Front, the protection of convoys, the bombing of the German Fleet and the beating off of air attacks on the British Fleet have tested and proved the quality of Britain's air power.

On the home front the period has also been one of testing—testing the new machinery of State and testing the

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individual's patience to put up with it and the ceaseless interference with his private life that it entails. The absence of any large-scale air attacks has been a blessing in more ways than one, for it has enabled criticism both to fill in necessary gaps and also to provide some safeguards for civil liberty before the new bureaucracy obtains a stranglehold. An example of the former may be found in the appointment of Lord Stamp to act as Economic Adviser to the Cabinet Committee set up to co-ordinate economic and financial policy and also as president of an inter-Departmental Committee composed of the permanent heads of the Departments concerned. And fears lest in defeating Hitlerism abroad we should establish it at home were expressed by all parties on October 31 in a debate in the House of Commons on the amendment of the Defence Regulations, as a result of which the Government promised safeguards and an all-party consultation.

In more specific ways the first restrictions and precautionary measures have been relaxed. Places of entertainment in neutral and reception areas have been re-opened, and with certain limitations in London and other vulnerable districts. Football matches have been permitted. Some of the curtailed train and bus services have been restored. Petrol rationing came into force on September 23, but the proposed 25 per cent. cut in coal, gas and electricity consumption has been suspended. In the City, Bank rate is back to its pre-war level of 2 per cent. Modifications have been made in the Government's scheme for the insurance of goods on land against war risks, which on the outbreak of war was made compulsory for all owners of goods of a saleable value of over £1,000. Steps have been taken to reduce the number of A.R.P. personnel by differentiating between more and less vulnerable areas and to place it on a more permanent basis.

But though restrictions may have been modified and relaxed, there remain ominous gaps that have not been

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filled. There is still no sign that the Government has realised the drastic action that must be taken to prevent waste and inflation. The Prices of Goods Bill passed on October 25 aims at preventing profiteering, and maximum prices have been fixed for the majority of foodstuffs and raw materials. For raw materials, however, the Ministry of Supply fixes prices after consultation with the Controls, who being the pre-war representatives of the industries concerned are interested parties. The prices of food are fixed by the Ministry of Food, but it has not been able to prevent a rise in the cost of living index number of ten points in September, which, taken with a general rise in wages, must be viewed with concern and forms a sinister background to the public's relief that rationing will at first be confined to butter and bacon. Also on the debit side, though not unexpected, must be put the rise in unemployment of 198,946 in September and October and the big drop in trade in September, imports showing a fall of about £25,000,000 on September 1938 and exports a fall of £20,300,000.

Great Britain entered this war with memories of the last war still green. It is for this reason that measures have been taken and machinery put into force which last time waited until, in some cases, the war was half over. If, as a result, the country seems now to be suffering badly from indigestion, it has at least the mental comfort that a large part of the necessary evils of war has already been swallowed.

CANADA

I. THE OUTBREAK OF WAR

CANADA has been in a state of war with Germany since September 10, as the result of a Proclamation, made in the name of King George at Ottawa, with a careful observance of all the formalities required to emphasise the separate national status and the independent decision of the Dominion. The week's delay in making a formal declaration of war, which aroused explosive indignation in imperialist circles, was due to the resolute determination of Premier Mackenzie King to fulfil his oft-repeated pledge not to commit Canada to participation in another overseas war without the full authority of Parliament, but it had the advantage of allowing time for public sentiment in favour of participation to crystallise and also of enabling certain supplies of war equipment, which had been ordered in the United States, to be shipped across the border before the neutrality legislation of the United States became operative against Canada. Even severe critics of the King Ministry admit that it deserves considerable credit for bringing Canada into the war with a minimum of friction. With the nation behind it, it has secured popular acquiescence in a series of very drastic measures of state control extending to almost every sphere of economic and financial activity. These have been imposed under the authority of the War Measures Act, a Statute passed by the Borden Ministry in 1914, and fortunately never repealed.

Parliament was summoned to meet for a special session on September 7 and there was a full attendance of both Houses to hear the Speech from the Throne repeat the intention of the Government, which Mr. Mackenzie King

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had announced as soon as Britain declared war, to request the authority of Parliament for effective co-operation with Britain and France to checkmate Germany's aggression, and for the measures needed for this purpose. The Prime Minister intimated that he would regard the adoption of the Address as tantamount to the mandate which he sought, and so the debate on the Address, which lasted two days, was restricted to the issue of Canadian participation and the policies required to make it effective. The exposition of Ministerial policy was undertaken by Mr. Mackenzie King and his leading French-Canadian Minister, Mr. Lapointe, the Minister of Justice. The former gave a carefully reasoned exposition of the compelling motives which had induced his Government to range Canada by the side of Britain and France in the grim struggle with Nazi tyranny that lay ahead. He defended himself against charges that he had failed to follow the example of Mr. Chamberlain in consulting the leaders of other parties, and he gave some account of the events immediately preceding the outbreak of war and of the modest part he had played in attempting to avert it by appeals to Hitler, Mussolini, and the President of Poland.

Since the Ministry's plans were in the embryo stage, he would not make any definite disclosure of them, but he intimated that Canada would assume full responsibility for the defence, not only of her own territory, but also of Newfoundland and Labrador, in order to protect the great commercial artery of the St. Lawrence, and would send overseas aviators and planes. But her initial contribution to the Allied cause would be largely in the shape of generous supplies of manufactured munitions and foodstuffs. In regard to an expeditionary force he was non-committal, but he was able to point out that the Australian Government had not yet undertaken to organise such a force, and he announced that, through the agency of the militia regiments, recruits would be enlisted for a "Canadian Active Service Force"

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He was able to read to the House of Commons offers of whole-hearted co-operation from most of the provincial Governments and from a long list of nation-wide and local organisations, including various associations of foreign-born residents of Canada. In the closing passage of his speech he said:

What this world is facing to-day is deception, terror, violence, and force, by a ruthless and tyrannical Power which seeks world domination. I say there has not been a time, the period of the last war not excepted, when the countries of the world faced such a crisis as they face to-day. I want to ask the House and the people of Canada in what spirit are they going to face this crisis. Are they going to face it believing in the rights of individuals, in the sacredness of human personality, believing in the freedom of nations, believing in all the sanctities of human life? I believe they are, and I believe through their representatives in Parliament they will so indicate in no uncertain way.

Dr. Manion, who opened the debate, declared that the Conservative party, while it would reserve its full rights of criticism, was in complete agreement with the Government's policy and would give it support in every possible way. He was even stronger in his condemnation of Hitlerism than the Prime Minister and besought the House to remember that, if the democracies were beaten, there was no richer prize than Canada among the nations of the world. He insisted that the Government must take immediate steps to prevent profiteering in any shape or form, and he concurred with Mr. Mackenzie King in pronouncing against military conscription. It was left, however, to Mr. Lapointe to make the best speech of the debate and also the best and bravest in his long public career, as he must have known that his clear-cut and ardent advocacy of Canadian participation in the war would be unpalatable to some of his compatriots in Quebec. He directed his main efforts to demolishing completely the arguments advanced by French-Canadian isolationists, who had been organising anti-war meetings in Quebec, and he made out an almost unanswer-

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able case against their attitude, showing by chapter and verse how neutrality was virtually impossible for Canada in any major war in which Britain might be engaged. Then he dealt with a suggestion that Canada's military contribution should take the form of volunteers for the British Army, whom the British Government would pay.

Well, Mr. Speaker, this is a shameless, dishonourable proposal. They say, "You may give your life; you may shed your blood, but your country refuses to pay the expense incidental to your sacrifice." I am too proud, too conscious of Canadian dignity, to discuss such a proposal. I am surprised that any man of whom it may be said, in the words of our national song, "*Il est né d'une race fière*," could entertain this disgraceful suggestion. In the Middle Ages European countries were hiring mercenaries throughout the world to fight their battles. Canadians will never be mercenaries paid by any country—not even by Britain. If Canadians go to the front line of the battle they will go voluntarily as Canadians, under the control of Canada, commanded by Canadians and maintained by the Dominion of Canada.

He felt it necessary, however, to sound a note of warning about the impossibility of ever persuading the French-Canadian race to accept conscription for an overseas war, and to plead for an avoidance of extremist views, whose advocacy could not fail to arouse antagonism and disrupt Canadian unity.

Mr. J. S. Woodsworth, the veteran leader of the C.C.F. party, found himself unable to forswear his lifelong pacifist views, and attacked the idea of Canadian participation in another of a series of imperialist wars, which must go on as long as the present capitalist system with its exploitation of the working classes and its rivalries for markets existed. But he found himself at variance with the rest of his party, and their spokesman, Mr. Coldwell, declared that they would support Canada's entry into the war with the caveat that assistance to Britain should be confined to economic and financial help. The Social Crediters endorsed the policy of the Government without any such reservations, but

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insisted that there must be immediate conscription of both man-power and wealth. Ministers had been anxious about the extent of the opposition to their policy which was known to exist among their French-Canadian supporters, but it proved to be much smaller than they had foreboded. The views of these dissentients were ably stated in a temperate speech by Mr. Maxime Raymond, K.C., a prominent Montreal lawyer, who advanced all the stock arguments of the isolationist school of thought, argued that Canada should not concern herself with the fate of Poland in which she had no direct interest, and warned Ministers that, if they tried to introduce conscription, they would endanger the stability of Confederation. He was backed by four other Liberals from Quebec who took a similar line, but the main body of the French-Canadian contingent on the Ministerial benches had been impressed by the validity of Mr. Lapointe's arguments. Support for participation was forthcoming from various Conservative speakers, including Mr. Heon, a French-Canadian, who had always been reckoned an extreme nationalist, and Mr. J. T. Thorson, a western Liberal who had in recent sessions advanced strong isolationist views.

An amendment was moved by two French-Canadian Liberals, but when it was put to the House it did not get sufficient support to justify a vote. The Address was thus unanimously adopted.

Colonel Ralston, K.C., whom Mr. Mackenzie King, with the general approbation of the country, had induced to return to public life and take the place of Mr. Dunning at the Ministry of Finance, had not had time to find a seat in Parliament and so it fell to Mr. Ilsley, the Minister of National Revenue, to introduce a special war budget which imposed a variety of new taxation. Parliament had previously passed a special war appropriation of \$100,000,000, and Mr. Ilsley explained that after allowances were made for an expansion of revenue and a decrease in the costs of farm and unemployment relief, there would probably

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be a deficit of \$156,000,000 at the close of the current fiscal year on March 31. So he announced that, while part of this sum would be met by borrowing, the Government felt it must meet part of the costs of the war by special taxation levied on the principles of equality of sacrifice and ability to pay. So he proposed a number of increases in taxation which he forecast would produce \$21,000,000 during the balance of this fiscal year and \$62,000,000 in a full normal year. The income tax for individuals was increased by a war surtax of 20 per cent. on the total income tax otherwise payable, and the scale of the corporation tax was raised from 15 per cent. to 18 per cent. and, in the case of consolidated returns, from 17 per cent. to 20 per cent. There was also imposed a new excess profits tax on the profits of all businesses whether incorporated or not, but two alternatives were given the payers of this levy. The first was a tax on all profits in excess of earnings of 5 per cent. on capital on the following graduated scale:

On profits in excess of	5%	but exceeding	10%	of capital:	10%
"	"	"	10%	"	15%
"	"	"	15%	"	20%
"	"	"	20%	"	25%
"	"	"	25%	of capital	60%

and the second was a levy at the rate of 50 per cent. on all profits in excess of the average profits for the last four years.

Substantial increases in the rates of taxation on tea, coffee, all kinds of liquor, tobacco and cigarettes, were also decreed, and a new tax on household electricity bills was imposed. Some adjustments were also made in the tariff and sales tax, but none of a serious nature. The Conservative and C.C.F. parties tempered their general approval of the budget with some mild criticisms about details, but the Social Crediters opposed it and moved an amendment urging the establishment of a committee to consider ways and means of conscripting wealth. This was, however, voted down by 190 to 8 and the budget thereafter was passed

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unanimously. The Government also had no difficulty in securing the endorsement of other measures, including a Bill authorising the creation of a Department of Munitions and Supply. But it has contented itself so far with establishing a Board of Munitions and Supply without Cabinet representation. Under the very competent chairmanship of Mr. Wallace Campbell of the Ford Motor Company of Canada, this Board is acting as agent for, and co-operating closely and harmoniously with, a British purchasing mission which is now installed in offices in the Parliament Buildings at Ottawa. After a session lasting six days Parliament was prorogued on September 12, and at the final sitting Mr. Mackenzie King announced that it would reassemble for its final regular session in January, and that the Government did not contemplate asking for an extension of its statutory term.

The King Ministry has maintained close consultation with the British Government about the policies which would make its co-operation most effective, and, as the result of the exchange of views, the Government was at the end of September able to satisfy a public demand, which was becoming very persistent in Ontario and other provinces, for an announcement of its war programme. The statement issued revealed that it proposed to despatch immediately to Britain as many trained aviators as could be spared, together with doctors, engineers, and other technicians who would be absorbed into British units for active service, and to proceed with the recruiting and organisation of a Canadian Active Service Force of two divisions, of which the first would be available as soon as possible for overseas service, and the second would be kept in reserve. The organisation of this force is now in progress, and the Minister of Defence was able to state on October 12 that Canada had about 60,000 troops under arms; some 40,000 men will be absorbed in the two divisions, and the balance will be kept on garrison duty for the coastal defences and other vulnerable points

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Meanwhile the industrial and other resources of Canada are being mobilised for the benefit of the Allied cause, and as time goes on the contribution that they will make will be increasingly effective. There is also general approval throughout Canada of the plan whereby Canada is to become the chief centre of training for the air forces of the whole Commonwealth,* and the King Ministry's cordial acquiescence in this scheme has served to convince many critics who were afraid that it was half-hearted in its direction of Canada's share in the war effort of the Commonwealth. It is now taking steps by refunding operations to make available credits in Canada for the purchase of primary products, manufactured commodities and munitions required by the Allies, and there is some evidence that the Bank of Canada is sponsoring the moderate and well-regulated expansion of the currency which Mr. Ilsley in his budget speech said might be desirable.

Soon after the session ended Mr. Mackenzie King undertook a modest reorganisation of his Cabinet to which he was impelled by a steady barrage of criticism, supported by influential Liberal papers like the *Winnipeg Free Press*, and directed against the administration of the Department of National Defence under Mr. Ian Mackenzie. Last year grave disquietude about some of its practices had been aroused by the revelations of a judicial enquiry into a notorious contract for Bren machine guns, and during the summer it was revived sharply by fresh disclosures about other war contracts which had an unpleasant odour of political patronage. Mr. Mackenzie King did not yield to the demand for Mr. Mackenzie's dismissal from office, but he moved him to the Department of Pensions and National Health and gave his department, which had assumed first-class importance, to Mr. Norman Rogers, his Minister of Labour and a former Rhodes Scholar, who served in the last war. This change necessitated a further shuffle of

* See p. 230 below.

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portfolios, and Major Power, vacating the Ministry of Pensions and National Health for Mr. Mackenzie, took over the office of Postmaster-General from Mr. McLarty who migrated to the Ministry of Labour. But Mr. Mackenzie King was unable to find a satisfactory French-Canadian successor for the late Secretary of State, Mr. Rinfret, who died suddenly last July. Mr. Raymond, who had the best claim for the post on his merits, had disqualified himself by his attitude towards the war, and the appointment was deferred pending the outcome of political developments in the province of Quebec.

II. THE QUEBEC ELECTION

THE King Ministry, on the strength of the comparatively feeble opposition shown to their war policy during the special session at Ottawa, had fondly cherished hopes that it would be spared the political trouble in Quebec which caused such embarrassment to the Borden Ministry during the last war, but it was speedily disillusioned when Mr. Maurice Duplessis, the Union Nationale Premier of Quebec, who had been at loggerheads with it about unemployment relief, took issue in a public speech with its constitutional right to impose certain war measures upon Quebec and announced that he would seek a mandate to resist them at a provincial election to be held on October 25. In this and later speeches he accused the King Government of seizing upon the war as an excuse for promoting a scheme of centralisation upon which it had set its heart, and, denouncing such measures as the ban decreed upon borrowing abroad and the censorship of the press and radio, he called upon the voters of Quebec to back him in a fight for sacred provincial rights which were being menaced as never before.

Faced with this challenge the King Ministry after exhaustive deliberations decided that it could not ignore it or remain indifferent to the result of the election in Quebec.

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So with the authority of his colleagues, Mr. Lapointe, the Minister of Justice, in his rôle as leader of the federal Liberal party in Quebec, announced that the King Ministry proposed to break a rule against intervention in provincial elections, faithfully observed by all recent Ministries at Ottawa, and exert all its influence and electioneering resources to compass the defeat of Mr. Duplessis and secure a vote of confidence from Quebec in the Liberal policy. Mr. Lapointe followed up this pronouncement by serving notice in a nation-wide broadcast that a refusal of the vote of confidence sought would be the signal for the immediate withdrawal of Senator Dandurand, Mr. Cardin, Major Power, and himself, the four representatives of Quebec, from the King Ministry.

It would be cowardice on my part (he said) to remain in the Cabinet in spite of Quebec's wishes. I repeat it. If the people of the province prove by their votes that they believe the atrocious calumnies and the shameful lies which are the basis of Mr. Duplessis' campaign, how could we be expected to continue to represent them and speak for them in the councils of the nation. Leave to my fellow-countrymen in Quebec the responsibility for this important decision and I will accept it.

At the same time he reiterated a pledge previously given that neither he nor any of his colleagues from Quebec would remain in any Ministry which tried to introduce military conscription.

Mr. Duplessis and his followers had already been raising this bogey, and in his opening speech in the campaign the former had declared that a vote for his party would be a vote not merely against centralisation and assimilation but against participation in the war and, above all, against conscription. But this declaration provoked a general protest from the press of English-speaking Canada, regardless of its party affiliations, drove the *Montreal Star*, a Conservative paper, to back the Liberal party, and caused one of Mr. Duplessis' Ministers, Mr. Layton, and a prominent supporter

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in the late legislature, Mr. W. S. Bulloch, to renounce all allegiance to him on the ground that he was a fomenter of national discord in critical times. In his later speeches, therefore, Mr. Duplessis intimated that he was still for Canadian participation in the war, provided the provincial rights of Quebec were not impaired. A colourful personality, he has acquired a strong personal following in Quebec, particularly in the rural areas, and he is a very ardent and energetic campaigner with a well organised political machine at his command. On the other hand, the Liberal organisation in Quebec has never recovered from the great débâcle of 1936 when the long Liberal régime of forty years ended in a welter of scandals, and Mr. Adelard Godbout, the provincial leader lacks the oratorical and other gifts which make votes in French Canada. So he needed all the help that the four Federal Ministers and their followers at Ottawa could give him. A somewhat imponderable factor was the decision of Mr. Paul Gouin and his Action Nationale Libérale party, which helped Mr. Duplessis to victory in 1936 but subsequently broke with him, to nominate candidates in more than half the constituencies. The National Liberals opposed Canadian participation in the war, but they condemned the Duplessis Ministry on other counts. Altogether it was a complicated situation, and the political experts predicted a close result.

That prediction was completely falsified when the poll was held on October 25. The Duplessis Ministry was decisively defeated by what amounted to a popular landslide in favour of the Liberal party. The Liberals, who at the dissolution had held only 14 out of 86 seats in the Legislature, made 54 gains and will therefore have a commanding majority in the new Legislature, including in all probability two independents, one of them Camillien Houde, the redoubtable Mayor of Montreal. The Union Nationale party is left with only 16 seats, and, although Mr. Duplessis himself held his home town of Three Rivers quite comfortably,

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6 of his 9 Ministers were defeated. The intervention of the Action Libérale Nationale party was quite ineffectual: its candidates polled a negligible number of votes and its leader, Mr. Gouin, was badly beaten.

The result has given deep satisfaction in the English-speaking provinces of Canada, whose press, regardless of party affiliations, condemned Mr. Duplessis as a mischievous disturber of national harmony, and it has brought not merely relief but great jubilation to Ministerial circles at Ottawa. Mr. Mackenzie King, however, was wise in pronouncing the victory over Mr. Duplessis to be much more than a mere party triumph, for a substantial contribution to it was made by the two great Conservative papers of Quebec, the *Montreal Gazette* and the *Montreal Star*, which advised the English-speaking voters of Quebec to make sure of the defeat of the Union Nationale party by voting for Liberal candidates. The widespread acceptance of this advice enabled Liberal candidates to carry divisions of Montreal which are Conservative strongholds, and to secure all the 15 seats on the Island of Montreal save one. It was, Mr. Mackenzie King declared, a victory not so much for the Liberal party as for Canada and the Empire. It was also a great personal triumph for Mr. Lapointe who, taking his political life in his hands, had converted reluctant colleagues to the idea that the challenge of Mr. Duplessis could not be ignored, assumed the leadership of the Liberal campaign and made a series of speeches whose effectiveness has seldom been surpassed in the history of Canadian elections. It is believed that the Roman Catholic hierarchy of Quebec, while officially proclaiming its complete neutrality, used its influence with great effect in favour of the Liberal party. Another factor which undoubtedly affected the result was the appeal made by Mr. Lapointe and his colleagues to the feeling of loyalty to the Crown on the part of French-Canadians generally, a feeling which was so markedly intensified by the recent Royal visit.

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Unquestionably the result was a very happy outcome for both Quebec and the rest of Canada. It may not be too much to hope that it will prove the turning-point in Dominion-Provincial relations and the beginning of a new era, so long desired and so sorely needed, of loyal and fruitful co-operation. For the rest, and more immediately, it leaves the King Ministry, whose prestige is substantially increased, free to devote all its energies to the organisation of the country's contribution to the Allied cause.

Canada,

October 1939.

AUSTRALIA

I. AUSTRALIA AT WAR

THE news of the declaration of war on Germany by Great Britain was received in Australia on a Sunday evening with a calm which to some extent was the result of a feeling that the development was inevitable. During the previous ten days the public had been kept in a state of high tension as information concerning the dramatic moves in Europe came to hand. The culminating point appeared to bring a certain relief from the tension of the preceding days.

There is no doubt whatever that the principles on which the British and French Governments have taken action have been widely applauded by all sections of the community. Great disappointment was expressed in many quarters at the failure of the Anglo-Russian negotiations, and the signing of the Russian-German non-aggression pact was equally unwelcome. For some months the public had been, through the press and radio, led to expect the adherence of Russia at an early date to the Peace Front. The differences between Communism and Nazism had been so emphasised by many public commentators that many people tended to ignore some of the deeper reasons which, in the opinion of a few students and observers, might cause a Russian-German understanding at any moment. The agreement, however, had a bright side for many Australians as it was considered that Japan's projected military alliance with the Axis Powers was no longer practicable. Undoubtedly the possibility of this alliance had caused concern in Australia and the officially declared neutrality of the Japanese Government has relieved the Australian Government of some pressing anxieties.

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The statement of the Prime Minister which was broadcast a few minutes after Mr. Chamberlain's announcement that Britain was at war with Germany at once made the position of the Commonwealth in the Empire unequivocal. "There was never any doubt where Britain stood," said Mr. Menzies, "and there can be no doubt that where Britain stands there stand the people of the entire British Empire . . . Britain is at war, therefore Australia is at war." Constitutional authorities in Australia have on the whole considered that when the King is at war all his dominions are at war. There was, therefore, no declaration of war by Australia on Germany.

The leader of the federal Opposition promised the Prime Minister that the Labour party could be relied on to do the right thing in the defence of Australia. The Premier of Queensland, Mr. Forgan Smith, in a statement in Brisbane appeared to go further on behalf of the Labour party in that state. He said "Everything that can be done to promote civilisation and peace has, in my opinion, been done. Principles and liberty mean more than phrases and we must be prepared to do everything possible that the institutions for which we stand may be maintained at all costs."

There was some talk of the possibility of forming a National Government: but the Labour party would not co-operate with the United Australia party for such a purpose. It took the view, which is fairly widely held here, that the real interests of a democracy can be most effectively safeguarded even in war time by the existence of a vigilant Opposition. The Country party has pledged its full support for all measures which it considers will help to prosecute the war in the most efficient and practical manner. Points of difference on other matters prevent at present the formation of a composite Government. Sir Earle Page, who has been leader of the federal parliamentary Country party for nearly twenty years, has resigned the position. This makes the personal antipathy between him and the Prime Minister a

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less important factor in the relations between the Government and the Country party. Mr. Archie Cameron of South Australia has been elected in his place. A War Cabinet consisting of six of the Ministers has been created. Its chief functions will be to ensure that major policy decisions of the Government are efficiently and speedily carried into effect.

The outbreak of war found the Commonwealth to a certain extent ready for the emergency. Preliminary steps were taken on August 25 to guard important strategic points, and a few days later certain restrictions on the transfer of money from Australia to overseas countries were announced. Precautionary measures were intensified two days before the outbreak of war, and when the fateful decision was taken little remained to be done to complete the emergency plans of the Government. There was commendable co-operation between State and Federal Governments, though defence is the sole responsibility of the latter.

At present the activities of the land defence forces are being concentrated on a programme of intensified training and expansion. The militia has been called up in two batches of 40,000 for a month's continuous training, shortly to be followed by a further three months. This is a welcome decision, for it must be admitted that on September 3 there were very few militia soldiers in the Commonwealth sufficiently trained to meet an enemy attack. The militia is liable for service only in Australia and its territories. But since war broke out there has been a considerable number of volunteers offering for either home or overseas service. Although up to the present the British Government apparently does not desire the dispatch of Dominion forces overseas to the theatre of war, the Commonwealth Government has already begun to raise a special force of 20,000 to be available for service in Australia or overseas as circumstances require. This will be known as the Sixth Division of the Second Australian Imperial Force and is enlisted for permanent service for the duration of the war.

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The title seems to have been chosen because there were five divisions in the A.I.F. in France during the Great War, and because the militia is organised on the basis of five divisions. The present force was spoken of by the public as the "new A.I.F." from the time its promotion was mooted. The force will be commanded by Major-General Sir Thomas Blamey. The personnel will be drawn principally from the militia. It is expected that their training will commence early in November. The Government has also offered to the British Government the personnel of six Royal Australian Air Force squadrons for service overseas. This contingent will consist of four bomber squadrons and two two-seater fighter squadrons, and they are expected, if circumstances permit, to leave Australia before the end of the year.* The total number of this force will be approximately 3,200 men. It has also been decided to raise two garrison battalions for permanent service chiefly from the ranks of the returned soldiers. These will be used to relieve militia units of guard duty at many points where permanent guards are necessary. The Prime Minister has undertaken that there will be no conscription for overseas service. But the Defence Act gives authority for the conscription of man-power for service within Australia and its territories.

The Government's defence programme has been accelerated since Parliament went into recess. Freed for a time from the worries of the parliamentary situation, the Ministry appears to have given the closest attention to the task of establishing the defences of the Commonwealth on a satisfactory basis. Much of the creative organisation of the programme has now been completed, and there remains the more difficult task of giving effect to the principles laid

* The decision to send this contingent to Europe was cancelled in view of the Empire scheme for air-training in Canada, the details of which are given on p. 230 below. Broadcasting on October 10, Mr. Menzies described the scheme as "the most spectacular and the most decisive joint effort of the British nations in this war". [Ed.]

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down by improved routine organisation. It is not possible for any person other than those chiefly responsible to judge of the degree of success which is attending these efforts. According to Ministerial statements progress in the manufacture of aircraft and munitions is satisfactory. But it should not be assumed that Ministers are unduly complacent about the position.

A large body of public opinion, both informed and uninformed, will not allow the Ministry to take defence preparations in a casual manner. Since the outbreak of war there has been considerable criticism of the Ministry principally because of its alleged inertia and the apparent delay in making some definite offer of help to Britain. Some of that criticism has been hardly fair and has been made without a full knowledge of the facts. But the pressure of public opinion on Government policy has been for the good of both the Ministry and the country. Although the Government has been pushing ahead with its plans, there are a number of competent observers who consider that the plans themselves are not ambitious enough to cope with the requirements of totalitarian warfare. It has been urged that the organisation of industry means all industry and not merely those sections of it which appear to have a direct and immediate connection with current defence plans. It is likely that more will be done in the future to organise industry so that all of its component parts will function in the most efficient manner in time of war. Something, of course, has already been done in this direction. The oil companies at the request of the Government have agreed to increase their already considerable fuel reserves and it is considered that, together with the expected volume of production of shale oil in the near future, the Commonwealth will have reserves to meet the present emergency without resort to rationing.

Plans have been completed for the organisation of the primary industries. The British Government has bought

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practically all the exportable surplus of Australia's primary products. Some of this will probably be re-sold to neutrals. Australian primary producers, with the exception of fruit growers, will not have to worry about markets for the duration of the war. Wool, wheat, sugar, flour and meat have all been purchased at prices that will give a fair return to the producer. In a sense the latter may be considered to be fortunate as the result of this development, and their part in the war effort to be rather inglorious. But it must be remembered that the extent of the Commonwealth's war effort will be finally determined by the strength of its economy and that this in return is based on the primary industries.

The National Register of wealth and man-power was taken before the war, but not without some trouble. The boycott which had been decided upon by the Australian Council of Trade Unions was eventually lifted as the result of certain assurances that were given to the Unions by the Prime Minister. The Labour party was anxious to avoid a clash with the Ministry on this issue and the Leader of the Opposition, Mr. Curtin, played a prominent part in the negotiations which led to the decision to lift the boycott.

Before the federal Parliament adjourned on September 21 it passed the National Security Act. This measure gives the Government complete power to deal with any matter which in any way affects Australia's war effort. This is legally justified because of the wide scope of the Commonwealth defence power notwithstanding normal constitutional limitations. There is a power of restricting freedom of speech which, however, can only be exercised by the Minister for Defence. Though most members disliked the Bill and there were various criticisms of some of its details, it was recognised as an essential part of the Australian war effort.

The Ministry had to face considerable criticism because of its decision, made shortly before the war began, not to proceed with the proposal to establish a permanent mobile

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force. Since the Lyons-Page Government had decided in March to create such a force, the decision of the Menzies Government was a reversal of one already taken. But this matter has become of little consequence, for it is now apparent that Australia is going to have a considerable force for the duration of the war.

II. WOOL AND WHEAT INDUSTRIES

THE position of the wool industry is likely to be improved by the purchase of the clip by the British Government. It was calculated by the Wool Committee of Inquiry which was appointed in 1931 to consider all aspects of the industry in the Commonwealth that the average cost of production was approximately 14*d.* per lb. Since the Committee completed its work costs fell below this figure for a few years, but during the last three years they have risen again and the cost of wool production based on the foregoing estimate, corrected for present-day conditions, is now approximately 13½*d.* per lb. This, of course, is an average result, and it is certain that many growers, in good seasons particularly, can produce on a much lower cost basis. Some authorities consider that an average price in Australian currency of 1*s.* per lb. would cover the costs of most wool producers and leave them a reasonable margin of profit.

Wool prices during the last ten years have fluctuated widely and the average price for the decade was 11½*d.* per lb. For the 1938-39 season the average was 10½*d.* In addition, during part of that season and for nearly the whole of the previous one, there was a severe drought in most wool-growing districts of the Commonwealth. Though stock losses were generally not heavy, except in the sense that lambing percentages were much below normal, the weight of wool cut per sheep showed a substantial reduction on that of the previous years. Thus growers during the last eighteen months have been faced with low prices and a

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reduced volume of production, a combination of adverse factors rarely experienced in the wool trade. At the same time, all costs of production both on and off the properties have increased. What the market price of wool would have been in 1939-40 if the war had not occurred is impossible to estimate.

The decision to sell the entire Australian clip to the British Government at an average price which, it is reported, will be 13½*d.* in Australian currency (10¾*d.* stg.) will relieve the immediate anxieties of wool growers. The immensity of this transaction and the organisation required to carry it into effect are not perhaps immediately apparent; for the difficulties of selling a wool clip on a flat rate are probably not appreciated by the ordinary citizen. Wool, unlike most primary products, has no full average quality value and it can only be priced in hundreds of types, which all have a distinct value according to their style, quality and clean-scoured yield. Thousands of technical decisions and calculations are necessary before even a day's wool offerings can be finally appraised and its value certified. The appraisal of the whole clip so as to procure a fixed average price is consequently a tremendous task which is not paralleled in the case of the sale of any other primary product.

The wheat growers have been in trouble since 1930, with the exception of three seasons when world prices were on a payable basis, and to-day the position of many of them is desperate. A Royal Commission some years ago enquired exhaustively into all phases of the industry. The Commission found that in 1934 there were 62,000 wheat growers in the Commonwealth, of whom 20,000 had less than 100 acres under crop or derived the greater part of their income from other forms of production. A statistical sample of 524 persons was, therefore, taken from 42,000 growers, and independent checks have established that the whole sample has given results which are of sufficient accuracy for practical purposes. The investigations related to the period 1928-29

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to 1933-34. The Commissioners found that on the basis of a price of 3*s.* 2½*d.* f.o.r. Australian ports, 60 per cent. of growers could not clear their expenses (current costs) and pay interest which was estimated at 9*d.* per bushel. Of this number 34 per cent. were shown to have current costs above the basic price and their position as regards production costs does not reveal any improvement on the estimates of them made by the Commission in 1934. The marketable crop, that is the total crop less 14,000,000 bushels of seed-wheat, has averaged 140,000,000 bushels per year for the last five years. Approximately 36,000,000 bushels are required for home consumption. The average price for the last six years was approximately 3*s.* 6*d.* f.o.r. Australian ports. The present price is about 2*s.* 7*d.* f.o.r. Australian ports.

Since 1932 sums totalling more than £20,000,000 have been distributed in relief of wheat growers by Commonwealth and State Governments; and they have also received many forms of indirect assistance, such as freight concessions and relief from primage taxation.

In order to provide moneys to meet this relief there has been for some years past an excise duty on flour. In August 1938 at a conference between the then Prime Minister, Mr. Lyons, and the Premiers of the several states, it was agreed that a new scheme should be put into operation and legislation for this purpose was passed in the Commonwealth and in each state before the end of the year. In substance the scheme was designed to secure for wheat growers a payable price for wheat. This was done by a complicated series of Commonwealth and State Acts. The Commonwealth, which has an exclusive power to levy excise duties, imposed a duty of excise on flour manufactured in Australia. The duty, which must not exceed £7. 10*s.* per ton of flour, is an amount variable by proclamations from time to time. It is calculated by reference to the export value of wheat, and is in substance the difference between the price of flour based on the actual price of wheat and what would be the

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price of flour if wheat were selling at 5*s.* 2*d.* per bushel at the ports.

The proceeds of this tax are then paid by the Commonwealth to the states to be paid by them partially as a bounty on wheat production, partially in relief of farmers who have suffered from drought conditions. The scheme also involves legislation which has been passed by the several states fixing the price at which flour and bread may be sold for home consumption. The constitutional validity of the flour tax was challenged. But a majority of the High Court held the tax valid, although it is understood that the question may be carried to the Privy Council.

But the continued fall in the price of wheat made this scheme inadequate and ineffective to stabilise wheat prices. The whole problem was considered at a special Premiers' Conference in August, when the Commonwealth put forward a long-term stabilisation scheme based on a minimum price of 3*s.* 4*d.* f.o.r. with a marketable crop of 140,000,000 bushels. The conference, however, did not come to an agreement; and at the time when war broke out Australia was faced with the unsolved problem of how to subsidise effectively an export surplus which has averaged during the last five years 105,000,000 bushels per year. With costs of production on a basis where 60 per cent. of the growers cannot clear expenses and pay interest at a price of 3*s.* 2½*d.* per bushel, the financial aspect assumed ominous proportions if growers were to be effectively assisted.

Since the war the wheat crop has been acquired on behalf of the British Government. This fact, aided by the purchase for Great Britain of considerable quantities of locally manufactured flour, have for the time being relieved wheat farmers of their more pressing difficulties. But the financial stability of the wheat industry will remain a serious problem for the Australian economy of the future.

Australia,

October 1939.

SOUTH AFRICA

I. NEUTRALITY AND NATIONAL UNITY

BY a majority of thirteen votes in the House of Assembly the Union of South Africa on September 4 committed itself to participation in the war against Germany. The circumstances leading up to this decision are rooted in a tangled mass of past controversies; its results are unpredictable. For a number of years now "independent national status", freely conceded by Great Britain to all the Dominions, has been the rather dangerous plaything of South African politics: bandied about from one side of the House to another, popping up its head on public platforms with a fine disregard of the subject under discussion, it has been an unfailing means of rousing the flagging interest of the House or restoring animation to a flat political meeting. Of this independent national status the touchstone has been our right of neutrality. Ask a South African his views on the neutrality question, and his answer would enable you to gauge fairly accurately his political outlook as a whole. For it must be understood that South African politics are based less than in almost any other democratic country on social issues: Right and Left, Conservative and Progressive, are terms which mean little in South African politics and which are not applied, nor can be applied with accuracy, to any of our political parties. The major parties lay no claim to either description, and even the Labour party, always small and struggling, has represented rather the attempt of a white wage-earning aristocracy to keep its head above water than any policy which would be recognised in Europe as Progressive. The two most pressing social issues, the native and the poor white problems, are

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approached more on lines of race and colour than of class. In the Nationalist party a profoundly reactionary attitude on colour questions is joined with an almost revolutionary fervour against the "foreign" capitalist and the power of the mining interests; in the United party a normal conservative outlook in matters of class and property is linked with a more liberal outlook on native and coloured problems. It is the racial issue—the relations between the English-speaking and Afrikaans-speaking sections of the white community—that has been for the past quarter of a century and remains to-day the real basis of South Africa's political divisions.

The fusion movement of 1932-33, between the Nationalist followers of General Hertzog and General Smuts's South African party, resulted in the formation of the United party which governed the country under General Hertzog's leadership until the present crisis. Holding an overwhelming majority in Parliament, a majority little impaired in the general election of last year, this party may be accepted on the whole as representing a genuine desire among the more moderate men of both white races in the Union to bury past differences and controversies and to tackle the real problems of the nation on a national instead of a racial basis. As was natural, a central coalition of this kind could not meet the views of the extreme wings of either race: an Afrikaans minority with republican leanings held aloof under Dr. Malan as the Nationalist party, whilst on the other side a smaller English-speaking minority hived off into Colonel Stallard's Dominion party. For the United party, however, the omens were fair—a great majority and the prospect of a steady term of office. And indeed not a little was achieved. A sense of national stability was gained; national prosperity (for the whites at least) was maintained; the native legislation, though in the opinion of some it does not represent any final or satisfactory solution, disposed for a while of a burning question; co-operation with

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Great Britain remained friendly; and, most important of all perhaps, men of both races learned the possibility and the value of working together and of subordinating, if not shelving, racial sentiment. This is not to say that party unity was not at times strained. Cabinet unity itself was severely tried: over the Native Bills in particular the divergence between the liberal views of Mr. Hofmeyr and some of his English-speaking colleagues and those of the Prime Minister and Mr. Pirow was acute. General Smuts and General Hertzog were about as happy in harness together as a horse and a zebra, and as with increasing age the Prime Minister, who had had fifteen years in office, became more autocratic and touchy, the Deputy Prime Minister, much of an age with him but far younger in mind, had much to swallow in the interests of unity. The Teutonic affinities too of the Minister of Defence were the subject of a good deal of anxious comment amongst the public. Rifts and weaknesses there were in the fine façade of the United party, sufficient to cause much anxiety to those many who valued its existence and the ideal of racial co-operation for which it stood. Mr. Hofmeyr's resignation from the Cabinet last year was a case in point. But a cracked building may stand a long while with patient attention and, one question apart, the party's future seemed reasonably secure; for whatever the internal strain, it was the sincere desire of the Prime Minister no less than of General Smuts to achieve racial peace in the Union. Unfortunately for this ideal, it was our fate that the affairs of Europe should put this one crucial question, that of neutrality, to the test of an answer and throw the politics of the Union once more back into the melting-pot.

While there was no immediate possibility of war in Europe, neutrality was in South Africa an academic issue, fought and refought inside Parliament and outside with the keenest zest. A majority of South Africans agreed with the Prime Minister's thesis that our independent status con-

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ferred upon us the right to remain neutral in the event of Great Britain being involved in war. General Hertzog, Mr. Pirow and other Ministers frequently affirmed that having this right the Union Parliament would, when the occasion arose, decide the country's course of action in accordance with the dictates of South Africa's national interests. Two points in particular arose to confuse this fairly clear definition of views. In the first place the more extreme English section represented by the Dominion party, basing their claim on the indivisibility of the Crown, urged that the King could not be at war in Great Britain and at peace in South Africa and that a declaration of war by Great Britain automatically involved South Africa, an argument intended possibly as a legal smoke-screen for imperial devotion. The reply of the average United party member was to ask what in that case became of our national independence. In the second place Dr. Malan's Nationalists found it impossible to reconcile the Prime Minister's assurances with the existence of the Simonstown agreement of 1922, to whose maintenance the Government, through Mr. Pirow, firmly pledged itself. Since Simonstown is a British naval base and the Union is pledged to defend it against all comers, the Nationalists had some reason to ask what in effect our right of free choice amounted to. To this United party spokesmen would reply by asking where, without the support of what General Hertzog termed "our best friend", would our so-called independence be. Amid this barrage of question and answer, many South Africans felt that, since it takes two to make neutrality as well as to make war, our possibly neutral status might in the end depend less on our own declarations than on the view taken of them by those who were at war with Great Britain. All, however, except the Nationalists who saw in this issue the rock on which fusion might split, prayed with fervour if not with optimism that the matter might never be put to the test. With this bogey lurking in the background the Union Government

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came to the Czech crisis of September 1938. If war had then resulted, an inner Cabinet (consisting of Generals Hertzog and Smuts, Mr. Pirow and Mr. Havenga) were agreed upon the necessity for a declaration of neutrality: nor is that surprising. The subsequent rape of Czechoslovakia had not yet revealed beyond cavil the true nature of Nazi policy; there was a good deal of anxious criticism of British policy; the case for participation was not strong enough to carry a majority in Parliament. The Government lay low, said as little as possible, and hoped against hope that the crisis would pass without the necessity for a declaration. It did, and Munich, whatever might be thought of it, saved the Union Government from possible dissolution.

In the year that followed, the further performances of Nazism opened a good many eyes in South Africa, though not quite enough. The nature of Nazi policy as it revealed itself increased South Africa's anxiety in regard to South-West Africa and Tanganyika. The Union Government's unequivocal declaration against the surrender of South-West Africa was echoed in Mr. Pirow's personal statement that he was opposed to the return of either of these territories to Germany. The Union's defence policy, indeed, shaped itself on the strategic possibilities of a land war beyond the frontiers of South Africa, a conception brought to the fore earlier by the Italian occupation of Abyssinia. As the months went on there seemed at least less probability that the Union would remain neutral in the event of conflict; and South African preoccupation with external events reached a level previously unknown. And so with our policy still uncertain we approached the final crisis.

II. THE DECISION

AS this crisis gathered speed in the last weeks of August there was something of the same uncertainty and anxiety regarding the Government's intentions as was felt in

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England in the last days of July 1914 about the intentions of the British Government. While the days passed and the policy of Australia and New Zealand and the intentions of that supposedly doubtful factor, Canada, were made plain, Pretoria remained silent. Parliament was not sitting, the Prime Minister retired to his farm, and no Cabinet pronouncement was made. The only reasonable explanation is that it was hoped to the last that peace would be saved and with it the necessity for answering the critical question. It became essential, however, for Parliament to meet. The life of the Senate expired on Tuesday, September 5, and in the circumstances it was imperative that its life should be prolonged. Parliament therefore met in Cape Town on September 2, after General Hertzog had conferred with Dr. Malan with a view to securing an agreed passage for the Senate Bill—and, it is thought, an agreement on neutrality. It was not until Saturday and Sunday, September 2 and 3, after the passage of the Senate Bill had been secured, that the Prime Minister discussed with his colleagues his intentions regarding the war. He had till then firmly refused to discuss this great issue. On these days the Cabinet met at Groote Schuur, the Prime Minister's residence. It would be an exaggeration to say that General Hertzog invited discussion of the issue. A subsequent account of what happened was given by Colonel Deneys Reitz, then Minister of Lands. It is clear from his account that the Prime Minister presented the Cabinet with a predetermined ultimatum in favour of a policy of neutrality, with the words "This is what I have decided upon". The Cabinet was decisively and irreparably split. No argument could induce the Prime Minister to revise his intention or submit his proposals to the party caucus. The following day, the House of Assembly met to consider a motion by the Prime Minister which read as follows:

The existing relations between the Union of South Africa and the various belligerent countries will, in so far as the Union is

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concerned, persist unchanged and continue as if no war is being waged, upon the understanding, however, that the existing relationship and obligations between the Union and Great Britain, or any other member of the British Commonwealth of Nations, in so far as such relationships or obligations result from contractual obligations relating to the naval base at Simonstown or its membership in the League of Nations or in so far as such relationships or obligations would result implicitly from the association of the Union with other members of the British Commonwealth of Nations, shall continue unimpaired and shall be maintained by the Union.

No one shall be permitted to use Union territory for the purpose of doing anything which may in any way impair such relationships or obligations.

On the other side was the following amendment by General Smuts :

It is in the interests of the Union that its relations with the German Reich should be severed and that the Union should refuse to adopt an attitude of neutrality in this conflict.

The Union should carry out the obligations to which it has agreed (Simonstown and the rest) and continue its co-operation with its friends and associates in the British Commonwealth of Nations.

The Union should take all necessary measures for the defence of its territory and South African interests, and the Government should not send forces overseas as in the last war.

This House is profoundly convinced that the freedom and independence of the Union are at stake in this conflict, and that it is therefore in our true interests to oppose the use of arms as an instrument of national policy.

The Prime Minister's defence of his motion resolved itself into two main points. The first one can appreciate as reasonable, if possibly mistaken. He urged that to lead a divided people into a war which was not primarily their quarrel would undo all the efforts of the past for racial conciliation, would renew and increase the old bitterness, with results that would not be cured for fifty years. Participation was therefore contrary to the national interests and this was the time for the Union to exert its rights as an

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independent nation to judge where its interests lay and to follow them. This is a tenable view whose sincerity cannot be questioned: it is indeed the basis upon which Mr. De Valera has proclaimed the neutrality of Eire. Further, it is possible that if General Hertzog had confined himself to this line of argument he might have carried the day. But he is incalculable in debate, and with a perverse temerity he proceeded to his second main argument which amounted to little less than a defence of the German Chancellor. Starting with the "monster" of Versailles and comparing Herr Hitler's struggle for German liberty with his own struggle for South African liberty, he proceeded to deny emphatically that he saw any proof that Germany was out for world domination or that the proceedings in any way threatened the liberty or interests of the Union. In effect, the war was not our quarrel and, whilst prepared to fulfil all our formal obligations to the Commonwealth and the League, he would not be a party to leading his people into war where their clear interests were not involved. He ended with a warning that

the alternative (participation) will be the death, as far as South Africa is concerned, of the Commonwealth of Nations. It will be the end of South Africa's allegiance to the British Commonwealth of Nations.

An argument so staggering in its blindness to the true meaning of events in Europe rendered General Smuts's task somewhat easier. It is not necessary to detail his arguments: they followed the obvious line, that not Danzig nor Poland alone but the freedom and security of all nations were in question, especially those of a country like the Union, poor in defence, rich in resources. We were dealing with issues which not only to-day but to-morrow touched our most vital interests. To stand aloof from our friends to-day would, perhaps, be to find ourselves friendless to-morrow, with a victorious Germany on our frontiers. General Smuts's speech was not, however, the less cogent for following

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familiar lines. One of its most effective points was that in taking up the middle course which the Prime Minister proposed we should be adopting an attitude quite unknown in international law.

In war you are either a friend or an enemy, and the Prime Minister in the policy he has laid down wants to be a friend, but he wants to temper his friendship with acts which no hostile Power will ever recognise as legal or proper.

This is the heart of the matter: we could not, even if we would, remain on friendly terms with Germany whilst at the same time defending a British naval base against her, unless Germany for her own purposes chose to accept this anomalous position.

The debate continued throughout the day. Its tone was high and serious, and was notable for the absence of bitterness on either side. But it was plain that the House, no less than the Cabinet, was completely cleft and that it would be a close thing. About 9 o'clock in the evening the vote was taken. By 80 votes to 67 the Prime Minister's motion was rejected: by 80 votes to 67 General Smuts's amendment was adopted. The Union was committed to war; and as General Hertzog moved the adjournment of the House one wondered whether South Africa had embarked not upon one struggle but upon two.

Analysis of the voting is interesting. General Hertzog was supported by 4 United party Ministers, Mr. Havenga, Mr. Fagan, General Kemp and Mr. Pirow, 33 other United party members and the full strength of 29 Nationalists. In favour of General Smuts's amendment were 5 United party Ministers, Colonel Reitz, Colonel Collins, Mr. Stuttaford, Mr. Henderson and Mr. Lawrence, together with 60 United party members, 7 members of the Dominion party, 4 of the Labour party and the 3 Natives' representatives. Out of a total House of 152 there were 147 present and voting. Senator Clarkson, Minister of Posts and Telegraphs, another of General Smuts's supporters in the Cabinet, was

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not a member of the House. The same applies to Mr. Fourie, Minister of Commerce and Industries, who supported General Hertzog. For the future of the Union the ominous feature was that the one side was overwhelmingly Afrikaner, the other predominantly English-speaking.

The same evening General Hertzog visited the Governor-General and asked for a dissolution of Parliament and a general election. This request His Excellency refused—a very proper decision; for in such circumstances the holding of an election might well have entailed serious disorder. General Hertzog subsequently tendered his resignation and General Smuts was called upon to form a Cabinet. On September 6 a proclamation was issued severing the Union's relations with Germany. On the same day the composition of the new Cabinet was made known. The Prime Minister himself took over the departments of External Affairs and Defence, Mr. Hofmeyr those of Finance and Education, Mr. Lawrence that of the Interior; the remaining Ministers are Colonel Reitz (Native Affairs), Mr. Stuttaford (Commerce and Industries), Colonel Collins (Agriculture), Mr. Sturrock (Railways and Harbours), Mr. Clarkson (Posts and Telegraphs), Senator Conroy (Lands), Dr. Steyn (Justice), Colonel Stallard, the Dominion Party leader (Mines), Mr. Madeley, the Labour representative (Labour) and Major van der Byl (without Portfolio).

III. THE WAR AND THE POLITICAL OUTLOOK

TWO further questions remain to be answered. What part is the Union taking or likely to take in the war? What is the present political outlook in the country and what the omens for the future?

First, with regard to the Union's part in the war, it is clear from the terms of General Smuts's amendment that the Government will send no forces overseas. Under the Union Defence Act all men up to the age of 45 are liable

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for service in defence of the Union, and this duty is readily accepted. But public sentiment, particularly in the country districts, would not permit the despatch of troops overseas: a Government that attempted it might have to reckon with mutiny, and without its saving clause General Smuts's amendment would not have commanded a majority either in Parliament or in the country. The Union will defend its own frontiers and those of South-West Africa, will defend Simonstown, and would probably co-operate in the defence of the Rhodesias and possibly of Tanganyika. For these purposes the Government has its conscription powers ready to hand; but they have not yet been used. The Government is moving slowly and watching developments abroad and at home. Air-training, however, is being intensified and accelerated, Permanent Force and Active Citizen Force units are being brought up to full strength, fresh units are being formed by voluntary enlistment, and coastal defences are being strengthened. Apart from this, of course, there is no lack of volunteer effort and organisation by both men and women in many directions, and a number of individual volunteers have already gone overseas to offer their services in Great Britain. A proclamation has been issued, however, which forbids male Union nationals of military age to leave the country without special permission and which extends the prohibition to women-doctors, nurses and medical students. In view of the fact that at present there is no shortage of man-power in Great Britain and that the future impact of the war upon the African continent is so uncertain, the appeal is a reasonable one: developments within the Union, on its frontiers, or beyond might well demand some day the services of every available citizen. For the moment, as a practical token of assistance, a movement has been launched to raise £1,000,000 for the supply of foodstuffs to Great Britain. In general, it seems that South Africa's function in the war will be to play its part in the defence of the Commonwealth by ensuring to the best of its ability the

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security of southern Africa—and with it Great Britain's key to the East. For a total population of 2 million whites that may be considered an adequate undertaking.

The present political position in the Union and the prospects of the future are no easy matters to define. There is no doubt that the country is badly split, and split on the old racial lines. The Opposition, drawing comfort from defeat, acclaim the reunion of Afrikanerdom, and welcome it as a great stride forward to the inevitable republic. General Smuts commands in the House of Assembly a majority of about 17, including certain members who were absent from the fateful debate; but it would be rash to assume that he commands a majority in the country or that a general election would have returned him to power. If an election were held to-day, or a referendum, it is more than probable that, in the former at least, a majority would endorse the policy of the late Prime Minister. This past month has seen a spate of political meetings throughout the country which, according to their lights and their locality, have passed unanimous votes of confidence in one General or the other. These, however, give little basis for a verdict, nor yet do the votes of United party committees, which in themselves are split in varying degrees. Briefly, it may be said, as might be expected, that General Smuts commands the support of the big cities, a large part of the Rand, Natal, the Eastern Cape and the Cape Peninsula: General Hertzog's support comes from such places as Pretoria, Bloemfontein, the country towns and the rural areas of the Central and North Western Cape, the Free State and the Transvaal. In view of the heavy over-representation on a population basis of the country areas (some urban constituencies contain nearly twice the number of voters compared with some rural areas), an election would probably return General Hertzog with, anyhow, a 5 to 4 majority. For the same reason, however, a referendum might go the other way. As things are at the moment, the Government has a majority

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of 17 in a House that has more than three years to run: it represents the true interests of the country, though not with any certainty the wishes of a majority of its citizens. It is asserted, with some probability, that in the debate of September 4 General Hertzog would have secured the majority he confidently anticipated, had it not been for his defence of Herr Hitler. That blunder is thought to have cost him some valuable votes. If we look then at things on their darker side, it must be admitted that the Union is at war by a narrow margin and that in the circumstances General Smuts's Government, though moderately secure in Parliament, will need to handle the country with a degree of tact and caution which in Great Britain and elsewhere overseas may convey a sense of slowness and half-heartedness.

There are, however, brighter factors in the situation. The position outlined above, though not altogether satisfactory to those who believe in the Commonwealth and its cause, is better than some had feared in those last anxious days of August. South-West Africa is quiet and a resort to civil violence in the Union, which had been regarded as a distinct possibility, has not developed in this first tense month and seems unlikely to develop as far as the future can be seen. Ex-Ministers have vigorously enjoined upon their supporters the need for restraint and tolerance; General Hertzog and Mr. Pirow in particular have urged the necessity for strictly constitutional action in furthering their policy and achieving the aims of the Opposition; Mr. Pirow has given a plain reminder to members of the Defence Force that their duty is to obey the Government in the execution of all lawful orders; though it must be said that there is an anticipatory accusation contained in the word "lawful". As a sop no doubt to English-speaking sentiment the late Minister of Defence has even expressed the view that Great Britain has been "100 per cent. right" in her course of action and has acknowledged the consideration which Great Britain has in the past extended to the Union. In taking this line

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the Opposition leaders no doubt intend to strengthen their moral position against the day when a general election puts the electorate to its decision: as to the Government, since it was Parliament's right to decide and Parliament has decided on war, it is for General Smuts and his colleagues to prove to the country that this decision was in its true interests. Furthermore the racial blocs are not altogether watertight. True, the Opposition ranks are almost solidly Afrikaner; but there is a minority of Afrikaners to whom the national interests still reveal themselves as bound up with those of the Commonwealth. There are six Afrikaner members of the Cabinet, three of whom are veterans of the Boer War and two are sons of former Presidents of the Free State. Account must also be taken of the remarkable personal loyalty which General Hertzog possesses among his supporters, a loyalty sufficient to lead some against their better judgment. It is not impossible to suppose that in the event of General Hertzog's retirement from public life some at least of those who are now in Opposition might renew their old allegiance. Such speculations, however, lead us too far from the present into the future. This future is for the moment too incalculable for speculation to be profitable. All that can be said is that much must depend upon the development of the war itself. A long period of indecisive or unsuccessful warfare for the Allies or a series of successful enemy raids upon our coasts would give no little reinforcement to the views of those who have held that it was not the Union's interest to tie herself to either side and who have belittled or denied the insurance value of the British Navy. On the other hand, some signs of Allied progress, effective protection by the British Navy, improved prices for primary producers, further manifestations, as in Poland, of Nazi ruthlessness, or of the nature of Nazi policy and promises—such factors may win over waverers to believe after all that General Smuts's view of our interests was the right one. That may seem, perhaps,

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a somewhat mercenary view in relation to a life-and-death struggle for liberty and decency: but in a country so profoundly and sincerely divided as the Union is to-day on the greatest issue in its history it may be those lesser considerations, operating on wavering minds, that will tip the scales and decide the ultimate success of one or other of the two political faiths which to-day struggle for the allegiance of the South African nation.

Union of South Africa,
October 1939.

NEW ZEALAND

I. NEW ZEALAND AT WAR

THE announcement shortly before midnight (N.Z.T.) on Sunday, September 3, that a state of war existed between Great Britain and Germany dissipated a widely held view that some eleventh-hour intervention would avert the dreaded cataclysm. This view was based solely on the belief that no Government would press its claims to the extent of plunging the world into war.

The issues involved were, throughout the period of the crisis, clearly and fully placed before the people of New Zealand by the press, and numerous articles by recognised overseas authorities were published. This was in marked contrast with the position at the time of the 1938 crisis.

The announcement of the outbreak of war was accepted by all sections with fatalistic fortitude. How different from August 1914! Then the people were on fire with martial enthusiasm; they sang patriotic songs, marched the streets and cheered; the spirit of adventure was afoot. On the night of September 3, 1939, there was none of this exhilaration. It was understood that the task Great Britain had undertaken was a grim business, and that the whole of the human and material resources of the Dominion would be placed at her disposal, to be used to assist in crushing the international terrorism of the Hitler *régime*. Thus no dissenting voice was raised against the message sent to the Secretary of State for Dominion Affairs by the Governor-General in which he said that the Government

entirely concur with the action taken, which they regard as inevitably forced upon the British Commonwealth if the cause of justice, freedom, and democracy is to endure in this world. The

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New Zealand Government wish to offer to the British Government the fullest assurance of all possible support. They are convinced that the step that has been taken will meet with the approval of the people of this Dominion, and they will give the fullest consideration in due course to any suggestion of the British Government as to the method or methods by which this Dominion can best assist the common cause.

Nobody is under any illusion as to the consequences of the action that has been taken, but now that the Nazi challenge has been accepted, there is a feeling of relief and thankfulness that the British Commonwealth has been spared a second Munich.

Parliament met on Tuesday, September 5, and a motion approving and confirming the declaration of a state of war between New Zealand and Germany was passed without further comment than the acting Prime Minister's explanatory statement. The members of the House rose immediately, sang the National Anthem, and gave three cheers. The Leader of the Opposition then promised the co-operation of his party in any legislative action necessary to enable the Government to meet the situation. This promise was carried out some days later when the Emergency Regulations Act, giving the Government full power to legislate by Order in Council, was passed without opposition.

Complete organisation for national safety was put into operation with smooth efficiency within a few hours of the formal declaration of war. Coastal defences were manned within six hours; the navy and air force were at action stations, and every step had been taken to conserve national resources. These measures had to be enforced with the authority of over thirty regulations most of which had been prepared beforehand and became operative at once. Not only was New Zealand ready to go to war, but she was in a position to defend herself at that moment.

The position has not yet developed sufficiently to enable the Government to announce the exact part the Dominion

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will take in the conflict, apart from home defence. On September 9, however, it decided to raise a special force of 6,600 officers and other ranks for service within or beyond New Zealand. Enlistment commenced on September 12, and on that day more than the required number volunteered. During the Great War, New Zealand mobilised for active service at home and abroad a grand total of 124,000, of whom nearly 92,000 were volunteers. The total called up for overseas service was 117,175, and of this number actually 100,400 went overseas; that is to say, approximately 11 per cent. of the total population was mobilised and between 9 and 10 per cent. went overseas.* The response to the first call for volunteers for service in the special force now being raised for service in or beyond New Zealand has resulted in 13,078 enlistments up to September 23. Of this total, 10,015 have been medically examined and 1,289 rejected as permanently unfit. The Government has also decided to train and despatch to England 1,300 air force pilots annually.

On September 15 the acting Prime Minister made an important statement in the House of Representatives in reference to the Dominion's position. He said that the whole of the man-power and resources of the Dominion must be organised for the protection of the country and in support of Britain, because New Zealand was indissolubly bound up with the other units of the Commonwealth and all units of the Empire must stand or fall together.

I wish to inform the House and the country (he added) that His Majesty's Government in New Zealand have, since the outbreak of war, been in consultation with His Majesty's Government in the United Kingdom as to the means and methods by which this Dominion can best assist in the common cause. At our request, we have received from the British Government a detailed and most helpful appreciation of the position indicating the measures which in their opinion it would be most appropriate for this

* See THE ROUND TABLE, No. 112, September 1938, p. 866, as to constitution of the New Zealand Expeditionary Force, 1914-18.

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Dominion to take for this purpose. I wish to state as explicitly as possible that every single suggestion that has been made by the British Government has been accepted and agreed to by the New Zealand Government, and is being put into operation as rapidly as possible. Indeed, many of them had already been anticipated and put in hand before the receipt of the British Government's suggestions.

II. THE LABOUR GOVERNMENT

"**W**HITHER is New Zealand tending? To 'the earthly paradise' that the Prime Minister says he and his colleagues are striving to bring about, or to the financial precipice over which critics say the Labour policy of 'tax, borrow and spend'—as the Opposition leader described it—is fast driving us?" The question was asked in the opening paragraph of the article in *THE ROUND TABLE* in June 1937.* At the outbreak of the Nazi war the majority of the people, presumably, were confident that the direction was towards the earthly paradise, but there were signs that the country was moving towards the precipice in spite of the strenuous efforts of the Government to stop the drift. Whatever be the true position, it is clear that the resources of the Dominion would have been strained to the utmost to maintain financial stability, and that far-reaching adjustments to commercial, industrial and social activities must have been made. The position of sterling funds in London had not improved to any appreciable extent since the import restrictions were first imposed on December 7, 1938. Indeed, the value of imports for six months ending June 30, 1939 was £28,186,730, being £1,077,418 greater than the corresponding period of the previous year.† The seriousness of the sterling fund position will be accentuated by the

* No. 107, p. 679.

† The Reserve Bank's sterling funds increased from £4,200,856 to £5,311,680 between December 7, 1938, and September 25, 1939. Those of the six trading banks decreased from £6,053,000 to £5,840,125 between December 1, 1938, and September 1, 1939.

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additional overseas payments the Dominion undertook to make for defence purposes and for carrying out the agreement for repaying the £17,000,000 (1940) loan and the export credits granted by the United Kingdom Government.* In other words, further and more drastic restriction of imported capital and consumer goods would have been inevitable, and the people would have had to do without a number of things which hitherto had been imported. The Government, however, urged local manufacturers to increase and extend their output to make up the shortage as far as possible. Whether industry could have been organised and expanded to meet any substantial portion of the contemplated shortage within a reasonable time or indeed at all is a matter of conjecture.

To all outward appearances, however, the country was still in a prosperous condition at the outbreak of war, and there was little, if any, expectation in the mind of the average man that any change was likely. The continued denunciations of the Government's financial, public works, social and industrial betterment policies by the press, responsible industrial, commercial, and financial heads and the Opposition, had failed to change public opinion to any marked extent, and it might be taken for granted that the Labour party was safely entrenched until its policy had been proved wrong by practical demonstration.

The scene has changed since September 3. Political controversies have been laid aside. The attitude of the Government and the utterances of its Ministers regarding the war have met with the approval of all sections of the community. There is complete confidence that the Government will leave no stone unturned to enable the Dominion effectively and fully to assist in the conflict in which the Empire is engaged. Sacrifices by all are inevitable, but there is no indication that they will not be readily made.

* See p. 226 below.

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III. PARLIAMENT

THE Government prepared a small legislative programme for the first session of the new Parliament. Indeed, the majority of the Bills are of a domestic or technical character. The session has not, however, been devoid of interest. The Opposition heavily attacked the Government during the Address in Reply debate on questions relating to finance and universal military training.

The fourth budget* of the Labour Government was presented on August 2 by the Prime Minister in the absence of the Minister of Finance and may be summarised thus:

		<i>Revenue</i>	
		1938-39 (actually received).	1939-40 (estimated).
		£	£
Taxation . . .		32,305,772	32,320,000
Interest . . .		2,127,445	2,780,000
Other receipts . .		2,148,827	3,160,000
		<u>£36,582,044</u>	<u>£38,260,000</u>
		<i>Expenditure</i>	
		1938-39 (actually expended).	1939-40 (estimated).
		£	£
Permanent appropriations:			
Debt services . . .	9,310,944		10,022,000
Exchange . . .	1,422,084		1,500,000
Highways . . .	3,055,094		3,233,000
Other services . . .	374,579		376,000
		<u>14,162,701</u>	<u>15,131,000</u>
Annual appropriations:			
Social services . . .	12,945,563†		10,613,000
Other services . . .	8,664,414		12,299,000
		<u>21,609,977</u>	<u>22,912,000</u>
Supplementary estimates and contingencies . . .			200,000
		<u>£35,772,678</u>	<u>£38,243,000</u>

* See THE ROUND TABLE, No. 113, December 1938, p. 185, for previous year's budget.

† Includes old age pensions, &c., which since April 1, 1939, have been paid out of the Social Security Fund.

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The estimated expenditure for the year exceeds last year's expenditure by £2,470,000, and is partly exclusive of the moneys to be paid out of the Social Security Fund, which is an "extra-budgetary pool" created by the special tax of 1s. in the pound on all wages and income, the levy of £1 and 5s. a year on all males and females respectively over the age of 16 years, and a contribution from the consolidated fund. The contribution for the current year is a vote of £2,000,000 and the transfer of last year's surplus in the national accounts, namely, £809,000. The tax and levy will yield approximately £7,500,000, thus making the estimated national expenditure (apart from the expenditure of loan money) for the year, £46,552,000.

The revenue on the basis of the previous year's rate of taxation was estimated to decrease by £822,000. The Government was therefore faced with the necessity of increasing the rates of taxation to yield an extra sum of £2,483,000, made up as follows:

	£
Increased expenditure . . .	2,470,000
Decreased revenue . . .	822,000
	<hr/> £3,292,000
Less last year's surplus . . .	809,000
	<hr/> £2,483,000

The extra revenue is to come from

(a) Higher rate of tax on personal incomes. The general exemption has been reduced from £210 to £200. The basic rate has been increased by four pence making it 2s. in the £; the gradation of one-hundredth of a penny for every £ of taxable income has been continued up to a maximum of 8s. 7d. in the £. Previously the gradation was 1/150th of a penny on every £ of taxable income in excess of £5,500 up to a maximum of 8s. 7d. in the £. The maximum rate will now be reached at £7,900.

(b) Higher rate of tax on incomes of companies. The

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basic rate has been increased from 1s. to 2s. in the £. The gradation has been fixed at 1/125th of a penny in the £ up to a maximum of 7s. 11d. in the £ (reached at £8,875), in lieu of 1/100th of a penny up to £5,500, and 1/150th of a penny thereafter up to a maximum of 7s. 6d. in the £.

(c) Higher rate of beer duty. This has been increased from 1s. 3d. to 1s. 9d. a gallon.

(d) Higher rate of petrol tax. This has been increased from 10d. to 1s. 2d. a gallon.

(e) Higher rate of death duty. The scale for estate, succession and gift duty has been increased by approximately 20 per cent. The exemption of £1,000 for moneys payable to an estate in respect of the deceased's life insurance policies has been taken away. The exemptions in favour of the widow of a deceased have been reduced to a small extent.

These measures are estimated to yield £2,500,000 (thus producing a budgetary surplus of £17,000), made up as follows:

	£
Income tax increases . . .	1,000,000
Beer duty increase . . .	300,000
Petrol tax increase . . .	1,000,000
Death duty increase . . .	200,000
	<hr/> £2,500,000

Once again the budget made provision for a record expenditure on public works. The Government's policy in regard to public works was formulated by the Minister of Finance when introducing the 1938 budget, thus:

The present Government does not subscribe to the view that public works should be regarded as a palliative to be undertaken only when private enterprise fails to provide the necessary facilities or to offer the required employment. The present Government's policy is to promote or expand public works on their individual merits as projects of public development.*

* See THE ROUND TABLE, No. 113, December 1938, p. 186.

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The Prime Minister, in introducing the 1939 budget, said:

To carry toward completion the large public works already in hand, the public works programme for the current year, apart from defence works, is approximately of the same magnitude as last year. It may be said that we have reached the peak so far as public works are concerned, and our job is to concentrate on tapering down to a more economic level by transfer of men to primary and secondary industries.

He also stated that the policy of expanding public works expenditure was never more than a temporary expedient to reduce unemployment, raise purchasing power, and stimulate industry, and that it had been realised all along that the only permanent solution of the unemployment problem is for the men to find work in productive industry.

The estimated expenditure for the current year is £23,917,000 (including £2,200,000 for defence capital expenditure). This is £4,494,479 in excess of the amount actually expended, and £3,197,300 estimated for the previous year. The money required to carry out the programme will be provided by loan money, £19,062,000, and by revenue derived from taxation, disposal of produce from state land, sales of electricity, and miscellaneous sources, £4,855,000. Approximately half the loan money is already available from the proceeds of the internal loan of £4,500,000, raised earlier in the year, and the £5,000,000 provided by the United Kingdom Government in accordance with the arrangement made with the Minister of Finance.

The budget disclosed that during the previous year the public debt increased by £13,768,930, and on March 31, 1939, stood at £303,970,272, domiciled as follows:

	£
London	156,853,016
Australia	879,600
New Zealand	146,237,656
	<u>£303,970,272</u>

No budget which increases the rate of taxation is likely to

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be received with enthusiasm. In spite, however, of the spate of criticism by the press, the general view was that apart from the provision for heavy borrowing, the budget might be accepted as grim but sound.

The Government, no doubt, would like to extend the time in which many of the large public works in course of construction should be completed and so cut down the annual expenditure. It has been unable to do so because of the fear of unemployment. The Prime Minister stated when introducing the budget that "for the past year unemployment has been virtually eliminated". In 1935, state employees, excluding school teachers and members of the police and defence forces, numbered 45,313; in 1939, 77,939, an increase of 32,626. The number of workers, other than clerical staff, engaged on public works was 8,725 in 1935, and 21,656 in 1939, an increase of 12,928. Any serious diminution of the public works would have resulted, not only in the dismissal of large numbers of workers but of clerical members of the public service as well.

IV. WAR FINANCE

THE Minister of Finance informed Parliament on September 15 that the outbreak of war would necessitate serious alterations to the budget estimates, first, by decreases in receipts from petrol and sales tax, customs duties and other items of revenue; secondly, by increases in expenditure for war purposes. He announced that the Government had decided to establish a "war expenses account" and to service it as far as possible from revenue, which meant additional taxation. "All must share in the war effort," he said, "some by personal service in the armed forces and the remainder by paying the maintenance of those forces."

In introducing the Government's war finance measures on September 26 the Minister estimated that war expendi-

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ture in New Zealand, for the year ending March 31, 1940, would be £9,750,000, made up as follows:

	£
Army	3,000,000
Air Force	3,500,000
Navy	1,250,000

Of this amount, £3,200,000 has already been provided for in the ordinary budget under the "defence" vote; £2,408,000 is to be obtained by additional taxation, and the balance, £4,142,000, from the proceeds of loans to be raised. The extra taxation is to come from the following sources:

Income tax: a general increase of 15 per cent. on existing rates.

Death duties: a general increase of $33\frac{1}{3}$ per cent. on existing rates.

Beer duty: an increase of 3d. a gallon.

Wine and spirit duty: an increase of 15 per cent. on present duty.

Tobacco duty: an increase of 25 per cent. on present duty.

Gold duty: a special tax of 75 per cent. of the difference between the price of gold on August 24, 1939, and its actual selling price is to be levied.

Postal rates: a surcharge of 1d. is to be imposed on all letters; several other rates have been increased.

The following table sets out the estimated returns from the additional taxes for the remainder of the financial year:

	£
Income tax	1,440,000
Death duties	175,000
Beer duty	100,000
Wine and spirit duty	60,000
Tobacco duty	273,000
Gold duty	110,000
Postal rates	250,000
	<hr/> £2,408,000 <hr/>

Although £4,142,000 is the estimated amount of the loan moneys required for the present year, the Government has

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taken authority to borrow £10,000,000. Provision for the larger sum has been made to enable the money required for the upkeep of the proposed expeditionary force after it has left New Zealand, to be borrowed from the United Kingdom Government. Referring to the loan money to be raised in the Dominion, the Minister said,

It is proposed to see if some can be raised by loan, and in addition, where it was necessary, all the money required for war purposes would be obtained from the Reserve Bank. There would be an amendment to the Reserve Bank Act later on to enable that to be done, as the Dominion could not afford to be short of money at any time during the war. Normally, we can only borrow what has been saved, but we cannot afford not to go on with the war because the necessary money has not been saved. We have to provide credit and use all our available resources to that end. . . . I think it may cost us £20,000,000 or £30,000,000 next year if the present circumstances continue. I am sorry we have to talk of long periods, but whatever it costs, we have to find it, and go right through with it to the end.

The Opposition criticised the proposals on the ground that the Government seemed unwilling to face up to the responsibility of cutting down any part of its peace time expenditure on public works. The Minister replied that the Government would, wherever possible, transfer state employees from non-essential work to the primary and secondary industries, and that all savings on estimated expenditure would be transferred to the war expenses account. He made no provision for possible decreases in estimated revenue to which he referred on September 15 but on September 28 he stated that, as the extra tax of 4*d.* on petrol had been imposed for defence expenditure, the yield of it would be paid into the war expenses account.

V. MR. NASH'S MISSION

THE Minister of Finance (Mr. Nash), during his recent visit to London, arranged that the £17,000,000 which falls due on January 1, 1940, would be reduced to £16,000,000,

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on due date, and the balance repaid in half-yearly sums amounting to £2,000,000 in 1940-41 and £3,500,000 in each of the four succeeding years, less any amounts the bond-holders elect to convert. He also arranged a loan of £5,000,000 from the United Kingdom Government for defence and other public purposes; also an export credit of £4,000,000.

Although expressions of gratitude for the assistance given by the United Kingdom Government have been made in many quarters, serious doubts have been raised as to whether the temporary relief afforded will enable New Zealand to weather the financial storm into which she has sailed.

It is generally recognised that unless there is a sharp rise in the price of primary products, New Zealand will have to make a stern effort of national self-denial in order to meet the capital repayments and also find the £12,000,000 annually required to pay overseas interest, freights and other obligations. Commenting on this the *New Zealand Herald* stated:

If New Zealand is to keep the bargain made by Mr. Nash—and there can be no question about that—she will have to accustom herself to a much stricter régime. She has to find the difference between the excess of £1,351,000 earned in the last twelve months and the £16,000,000 that will be required annually in the next five years. The task is difficult, but not impossible. It means self denial and harder work. If New Zealand still possesses some of the self-reliant pioneer spirit, if she takes a true pride in her good name, if she is really intent to build a nation, then she will face the consequences of her own improvidence and be the richer in equity, in experience, and in national morale at the end of it. The immediate business, however, entails thinking out the ways and means of meeting commitments in a practical way.

A sensation was caused during the budget debate by Mr. J. A. Lee, who is regarded as the leader of the Left wing of the parliamentary Labour party.* In effect, he pointed out that it would be impossible for the Dominion to repay

* See THE ROUND TABLE, No. 116, September 1939, p. 873.

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future overseas loans if similar terms were imposed, and suggested that the whole overseas indebtedness be funded at a low rate of interest, and repaid by annual instalments over a long period of years. He went further. He attacked the loan system in principle and embarked on an extravagant denunciation of money-lending institutions in general and the Governor of the Bank of England in particular. Mr. Lee's statement that, if it came to a choice between the people of New Zealand going without the necessities of life and meeting our overseas commitments, he would provide for our own people first was seized upon by the Opposition as a declaration in favour of repudiation. Mr. G. W. Forbes thereupon interposed with a motion calling upon the Government to dissociate itself from Mr. Lee's speech and its implications. The acting Prime Minister quickly reasserted the Government's determination to meet each and every obligation of the Dominion, and denounced the Opposition for drawing an unjustified inference from Mr. Lee's speech. This unequivocal assertion of the Government's policy was accepted by the Opposition and the motion was withdrawn. It was apparent, however, that a number of Government members were far from satisfied with the arrangements made by Mr. Nash, and further developments were expected after his return to New Zealand. Mr. Nash returned on the day following the declaration of war, and the consequent change in the situation has postponed or rendered unlikely any such developments.

VI. THE PRIME MINISTER

MR. SAVAGE underwent a serious operation on August 4. Although he is now convalescent, it is not known when he will be able to resume his duties. Sympathy for him and hopes for a speedy recovery were expressed throughout the Dominion. Probably no Prime Minister of New Zealand has enjoyed the respect and affec-

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tion, not only of the followers and supporters of his party, but of the people as a whole, to a greater extent than Mr. Savage. His inherent honesty, devotion to duty and humanitarian ideals compel admiration even by those who are bitterly opposed to his policy. The way he accomplished the arduous task of delivering the budget on the evening before he had to enter hospital, and the telling appeal to the people to stand shoulder to shoulder with Great Britain which he broadcast on September 6, will long be remembered.

New Zealand,
October 1939.

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1. The Empire Air Training Scheme.

Sir Kingsley Wood, Secretary of State for Air, described the scheme in the House of Commons on October 10, as follows:

The Dominions have already signified their intention of making a great and powerful contribution to the common cause in relation to air defence. In the last Great War the Dominions gave us large numbers of skilful and courageous pilots and crews. Again to-day in the air the whole strength of the Empire is being marshalled, and there is no doubt that the great Dominion effort of 25 years ago will be largely exceeded in the present conflict.

In this connection, I am glad to be able to announce a development of great importance which I can confidently say is destined to make a most effective contribution to the successful prosecution of the war.

His Majesty's Government in the United Kingdom put forward last month for the consideration of His Majesty's Governments in Canada, the Commonwealth of Australia and New Zealand an outline of arrangements for the rapid expansion on a co-operative basis of the training organisation for pilots, observers and air gunners required, first, for the considerable enlargement, and then for the maintenance on the enlarged basis, of the Air Forces of the respective countries, this to be combined with an expansion of the production of aircraft in the Dominions concerned.

The Dominion Governments concerned have signified their ready agreement in principle to these arrangements, and as a result they and we have ensured that the many facilities and great natural advantages for the training of pilots and other personnel and the production of aircraft which the Dominions offer, in areas comparatively free from the risk of enemy interference will be utilized to the fullest extent and to the best advantage.

Training schools will be established and maintained in each of these Dominions. The more comprehensive and technical facilities required for advanced training, apart from those available and to be made available here, will in the main be concentrated in Canada. Personnel from the elementary training schools in

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Australia and New Zealand, as well as a substantial proportion of the young men passing-out of similar establishments in this country, will proceed to Canada to receive there, with similar personnel from Canadian schools, the advanced training which will fit them for service in the line. The young men so trained will join either Air Force squadrons maintained by the respective Dominion Governments in the theatre of operations or our own Royal Air Force units; while those from this country who get their final training in Canada will, of course, come back to join the Royal Air Force squadrons in the field.

The undertaking is one of great magnitude. Its development will result in a very great and rapid increase in the number of training schools, already large, and achieve an increased output of first-line pilots, observers and air gunners which, combined with our home effort, will ensure that the greatly increased requirements in trained personnel are fully met. The aim, in short, is to achieve by co-operative effort Air Forces of overwhelming strength.

2. Speech by the Marquess of Lothian at the Pilgrims' Dinner in New York on October 25, 1939.

I FEEL the welcome that you have given me to-night is also a testimony to the remarkable men who preceded me in my present office—Lord Bryce, the writer of what I suppose is still the most authoritative work on the American Commonwealth; Sir Cecil Spring Rice, who was here during most of the World War; Sir Edward Grey and Lord Balfour, who were Ambassadors for short periods during and after the war; Lord Reading; Sir Auckland Geddes; Sir Esme Howard, who passed away only a few days before I sailed; and last, but by no means least, Sir Ronald Lindsay, who for nine years represented my country with such wisdom, steadfastness, dignity and strength in Washington. They set a high standard and will be a hard company to follow.

I am glad to think that the mutual comprehension between our two countries is much better than it used to be. There is certainly far greater knowledge of the United States in my country. That is partly because the reading of American history now has a definite place in our colleges and schools; partly because we have become much more American in our mode of life than most of you realise. I think you on your side came to realise how greatly our life

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had been democratised from the formalism of the Victorian era when you saw our King and Queen only four months ago. Both they and we are immensely grateful to you for the wonderful welcome you gave them. You rapidly came to recognise the simplicity of character, genuine humanity and the spirit of public service which have endeared Their Majesties in so short a period to their own subjects.

In some ways I regret that I have to speak to you at all to-night. It is very difficult for a belligerent to address a neutral without saying something that may be misunderstood as an attempt to interfere. But it is an old-established custom that shortly after his arrival at his post every new American Ambassador has to address the Pilgrims in London, and that every new British Ambassador has to address the Pilgrims in New York. So I am here. And being here it is not possible for me not to talk about the subject which is uppermost in the minds of everybody throughout the whole world to-day—the war—what it is about, how it will end, how it can be prevented from recurring.

This war is a far more portentous thing than the last. It is likely to leave the world far more deeply transformed, for better or for worse, than the war of 1914. The ideological conflicts go deeper. The armaments are more gigantic. There is far less confidence than there was twenty years ago in the strength of our western institutions and in democracy, as we have known it, as the simple specific for all our governmental ills. Immense as were the changes wrought by the years 1914-18, the present war, if it lasts as long, is likely to end in transformations far more profound.

I have been told that, if I talk about so dangerous a subject as the war, I shall be accused of propaganda. You are quite rightly suspicious of propaganda. May I say just this about it? There is all the difference in the world between the publicity characteristic of the democracies and the propaganda of totalitarian states. The very basis of democracy is faith in the capacity of the individual for responsible decisions. The success of democracy, in the long run, depends upon the wisdom, the public spirit and the self control of the individual citizen. A democracy invites publicity. It wants to hear all sides; it must hear all sides, for unless it does it cannot judge properly. The great difficulty about democracy is that the citizen is expected to arrive at conclusions about public affairs, not in the calm of the library or the courtroom, but amid the clamour of opposing parties, the propaganda of selfish and vested interests, and constant appeals by politicians of the baser sort to

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selfishness and greed. But it is precisely the capacity to think for himself and herself which is absent among those who have only to obey the command of authority. As a fellow democracy, therefore, we feel we have the right, indeed the duty, to tell you our story, to explain to you and all other democracies what we are doing and why we are doing it. But having done that we feel it is for you and you alone to form your own judgment about ourselves and about the war. That, of course, is your inalienable right.

That is what we mean by saying that the British Government conducts no propaganda in this country. We want to tell you the facts as we know them, and our point of view about them, from London. But having done so, by our own democratic principles we are bound to leave you perfectly free to form your own judgments.

The propaganda of totalitarian states is necessarily on a different basis. For by the law of their own being they do not entrust the final decisions on public policy to their own citizens. They set out to manage their thinking for them, as they think, in their own interest, through official control of the schools, the universities, the press, the radio and the movies. It is a central purpose of totalitarian countries to manipulate opinion at home. And that fact, I think, necessarily colours the purpose of their foreign propaganda also.

So I am going to brave the critics and talk to you about the war. If we British and you Americans, indeed all the free peoples, cannot speak frankly to one another about what is deepest in our hearts, and what most affects the future of the world, then there is no possibility of arriving at a sane policy for peace. I believe that you want us to talk to you frankly and honestly about these vital things, as we certainly want you to do to us.

This war, of course, is the outcome of the mistakes of the past. All wars are. There has been endless discussion about who is responsible for this war. We can all draw convincing pictures of how our neighbours have contributed to the reappearance of world war, just twenty years after the conclusion of the war which was to have ended all wars. My country must certainly bear its share of blame. But, if we are to see the picture clearly, I think we must admit that no nation and no statesman can establish a clear alibi for what is now happening. A little humility, sometimes, does not do any harm—for, as Christianity makes clear, humility is one of the portals to the discernment of the truth.

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I want, in the first place, to say a word about the Treaty of Versailles. It has become the fashion—Dr. Goebbels has made it the fashion—to attribute every evil to that unfortunate Treaty. There were certainly defects enough in it. But it is absurd to attribute all our troubles to it. A very distinguished German democrat only a few weeks ago said that the rise of National Socialism was due, 30 per cent. to the Treaty of Versailles, 30 per cent. to the inexperience of Germany in democracy, and 30 per cent. to the great depression which in your country began in 1929. I would put it somewhat differently. Hitlerism is the child of bolshevism out of universal economic nationalism. But do not let us lose sight of the ideals which moved us in those remarkable days from 1914 to 1920. We then entered an epoch in which an old world began to die and a new world began to be born. Before 1914 the old diplomacy governed international relations. It was regarded as being natural and right that every nation should think only of its own interests and should feel no responsibility for anyone else. But in 1914 the democracies, which had previously concerned themselves almost entirely with their internal affairs, began to take charge of international relations. Democracy, as Thomas Mann has so brilliantly said in his great address "The Coming Triumph of Democracy", by the law of its being, inevitably gives its allegiance not to dreams of power but to moral ideals. It may not always live up to these ideals. It certainly does not. But they are the stars by which it guides its life. And so, immediately the democracies became actively concerned with international affairs they proclaimed their own ideals about them. Mankind is a community. War is fratricide. Nations as well as individuals have the right to life, liberty and happiness. Backward people have the right to security against exploitation and to be guided towards self-government. The status of all nations, great and small, should be equal before the law. And the establishment of a true reign of law between the nations is the only remedy for war. Those were the ideals which underlay the war and the Paris Peace Conference of 1919. They are, I believe, eternally true. And they were expressed with immortal eloquence by your own President Wilson.

But the democracies had not thought out what the establishment of this new world implied. They did not realise that the new world was incompatible with universal national sovereignty or with many other features of the old order. That is not the only

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reason, but it is one reason why the war has returned; and why it is still in doubt whether the break-up of the old order is going to end in a new advance to freedom or another plunge back towards barbarism. But the victorious democracies, in 1919, in the Versailles Treaty, did apply their principles to the territorial settlement of Europe. They did give every nation the right to a separate autonomous existence, and they did try to give protection to minorities, and they did set up the mandate system to give protection to backward peoples. The number of free nations in Europe rose from seventeen to twenty-six, including the terribly delayed freedom of Ireland. People criticise the frontiers drawn at Paris. Admittedly some of them were not very good. But at the worst they were only a few miles wrong. What Herr Hitler is challenging at bottom is not the frontiers made at Versailles but the whole democratic conception of international life. His remedy for frontier mistakes is not to correct them but to annihilate Austria, Czechoslovakia and Poland by violence, in order to establish a Nazi Empire, controlled by a secret police, which destroys not only national but individual freedom within it, and gives minorities no rights at all.

So I beg you not to be misled by this ceaseless attack upon the Treaty of Versailles. The greatest mistakes made at the Peace Conference were not political but economic. Few people seemed to realise the inevitable consequence of dividing Europe, or, for that matter, the world, into watertight economic compartments and then of imposing on these States fantastic reparations and other forms of inter-governmental indebtedness which it was quite impossible to pay across these economic frontiers without disaster for all.

Fundamentally, the British are fighting to-day for the preservation of some of these new values, which the democracies declared during the last war. I am not sure that our ultimate goal is yet visible, any more than we were able to see in 1914 what we came to see, largely under American leadership, in 1918. But there are, we feel, two points which are clear. The first is that there can be no basis for a lasting peace which does not give to all the nations of Europe their right to autonomous freedom and until the Gestapo is cleared out from among them. The second is that we should establish some security against constantly renewed wars of aggression and against the situation in which Hitler has been able to annex a new country by war or by threat of war every six months. We feel that an armistice now would

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simply play into his hands. That would give him months in which to decide where his next attack is to be made, to reorganise his preparations in the right direction, to get the democracies demobilised, so that the initiative in attack passes back to him and he can make his next pounce before they are ready to meet it. No true peace can be made on that basis.

I am sure there is no desire in my country to impose another dictated peace on a prostrate Germany, or to take from her any lawful rights. On the contrary, I think there is a clear conviction that only through a peace negotiated with a Government they can trust can Germany, and all other nations also, obtain that legitimate place in Europe and the world which is the only possible basis for a lasting peace.

But let there be no mistake. We feel that to-day we are fighting for some of the vital principles upon which a civilised world alone can rest—a world in which the individual and the nation will be free to live their own lives in their own way, secure from sudden attack and destruction. There we stand; we can do no other. And unless I misjudge my fellow countrymen, there we shall stand until that purpose is achieved.

But you constantly ask, What are our ultimate peace aims, what are our ideas about the kind of world we want to see established if we win the victory? We can understand that request because the way the war will end will affect you as well as us. To-day the war in Europe is our concern as a belligerent and not yours. We understand your attitude of non-intervention better perhaps than you think, because for many long years "splendid isolation" was our own attitude to the constant wars and struggles of Europe—so long as the Channel was as wide as the Atlantic and so long as nobody threatened to be able to dominate Europe and so cross it.

I have told you our views so far as they have been formulated up to the present. But we think we are entitled to ask you the same question. What do *you* think should be the settlement we should aim at after the war, the kind of settlement which will end the risk of another world war in another twenty years? At bottom we are fighting a defensive war. We are trying to prevent the hordes of paganism and barbarism from destroying what is left of civilised Europe. We are putting every nerve into the task. We are up to our necks in action. But you are outside the maelstrom. You get more and better news than any country under censorship in Europe. Perhaps you can see things in a better perspective than we can. The war is following a different

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course from that which any of us expected and the peace to which it ought to lead is likely to be different from what we have expected also. As I always tell my fellow countrymen, it is inconceivable to me that the United States, which has already done such immeasurable things for the freedom of mankind, which has produced the greatest democratic leaders that the world has seen—Washington, Jefferson, Hamilton, Abraham Lincoln, Theodore Roosevelt and Woodrow Wilson—every fibre of whose tradition spells faith in the perfectibility of man, in his progress and freedom, should not have its own contribution to make to the solution of the greatest problem that has ever presented itself to the genius of man.

To-night, pending answers from you and France and Britain and elsewhere, I am going to venture, on my own responsibility, to make my own contribution to the discussion of the kind of world we want to see after the war. I am going to appeal not to theory but to experience. I would ask your consideration of certain remarkable facts about the nineteenth century.

The nineteenth century, or rather the century from 1815 to 1914, was a century without world war. That was a very striking and significant fact. It was the only such century since the break-up of the Roman Empire or, at least, of the medieval world. Three-quarters of your history as a nation have been spent in a totally unusual era—an era without world war. The eighteenth century, the seventeenth century, and the sixteenth century were periods of almost continuous world war. During the whole epoch from the first Spanish settlement, America, both North and South, was the scene and subject-matter of world war. Your own destiny turned upon the outcome of the Seven Years War in Europe from 1756 to 1763, on whether the British Navy was able to drive the French fleet off the seas and allow the British and colonial forces to take over Canada and free the Mississippi valley. And that victory was the prelude to that "incident", to use the now fashionable term for war, in which you drove King George III out of the United States because he unwisely insisted on trying to make you pay part of the cost of that war.

Even after that and during the Napoleonic Wars you were in constant danger, and in 1812 you were drawn once more into world war. But then the picture changed. For a century there was no external war in North and South America, and no world war. It was not till 1914 that the era of world war began again. It engulfed you in 1917, and now in 1939 it has already sucked in the British

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Commonwealth and has come near enough to you to make it one of your serious preoccupations how you are to avoid being sucked in yourselves also.

This era of world peace did not happen by accident. It was the result of definite policy and action. That is why I think it worth while to consider how the century of freedom from world war was achieved. The reason was because you and we, between us, created a rudimentary but, in the circumstances of the time, none the less effective system of world order. We did not attempt to prevent all war. But we prevented world war—and that was the essential thing. Local wars do only limited damage. It is world wars which destroy civilisation.

Your part in the system was the Monroe Doctrine. The underlying idea of the Monroe Doctrine was originally proposed by Canning as a joint Anglo-American policy. It was eventually proclaimed by President Monroe, quite rightly as I think, as a unilateral policy of the United States. The Monroe Doctrine was fundamentally a strategic doctrine. It aimed at preventing European political intervention in, and the transference of European wars to, North and South America, and it put the American Navy behind the independence of the American republics, as the sanction behind the Doctrine. The principle of the Monroe Doctrine is now, I am glad to see, becoming a Pan-American doctrine as well as a declaration of American policy.

But the Monroe Doctrine did not, in practice, stand alone. You and we each of us carried out independently our own share of the original Canning proposal. The Napoleonic Wars had taught Great Britain the value of sea power and that her own freedom and that of the whole overseas world in which she was interested depended upon her having an invulnerable base at home, a paramount navy, and naval bases all over the world. This meant that no European or Asiatic Power could cross the oceans and annex overseas territories against her will unless they had a navy large enough to challenge hers. We had a kind of Monroe system of our own, reinforcing yours, but extending it to overseas territories like South Africa, Australia and New Zealand, or countries like India which could not be easily reached overland. It was this double system which was the power basis of the nineteenth-century peace. So long as it was unchallenged not only were we and you safe from attack, but there could be no world war. There could be local wars. There was the Franco-Prussian War, the war for the unity of Italy, the Sino-Japanese and the Russo-Japanese

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Wars, your own Civil War, and other minor conflicts. But there was no world war until there arose in Europe a Power which was able to challenge Great Britain at sea, as Germany challenged it, by the building of the new German Navy at the beginning of this century.

But there was another element, an economic element, in the nineteenth-century system, which explains why it was a century of unexampled prosperity and why the industrial revolution was able to develop without world war. It consisted of three parts. The first was that there was, in effect, a world currency based on gold. This was initiated by the Bank of England in co-operation with other national central banks with which, in due course, the United States co-operated, and created a stable basis for world trade. The second was that during most of the period the world was either free trade or relatively low tariff. The conditions therefore existed for that free movement of capital and labour all over the world which was the secret of the prosperity of the Victorian age and which prevented much economic rivalry and friction. The third was that there was practically free immigration to the new world. This relieved those population pressures in Europe which, with present-day extravagant economic nationalism, have been, in my judgment, the main cause of the rise of the dictatorships. And in this, the United States, by opening its doors to millions of immigrants from Europe, played the principal part, and gave, in the melting-pot, the answer to the present racial doctrines of totalitarian Europe.

This nineteenth-century system of world peace can be criticised, of course, as being arbitrary and "dog in the manger". Europe, indeed, has frequently criticised the way in which the Monroe Doctrine reserved the vast areas and unexampled resources of the new world for the relatively small population which has been fortunate enough to live there. And the British Empire, as you all know, has been a target of ceaseless abuse as a purely selfish imperialistic concern, some of which no doubt is deserved. But the fact remains that while we both profited enormously from the nineteenth-century system, so did the rest of the world. Just consider the record of that remarkable, that most unusual century. Because world war was prevented, because the system was administered by two Powers which were on the whole liberal and democratic; because its economic policies were sound, it saw an unexampled expansion of human freedom and prosperity. The North and South American continents were left free to develop

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without external war and without liability for maintaining burdensome armaments or those restrictions on individual freedom which are inevitable when war comes near. The British Empire became transformed into a Commonwealth in which not only Canada, Australia, New Zealand and South Africa have taken their place as independent equal nations, but every other part, India, Ceylon, Burma, Jamaica and many other peoples are now far on the high road to self-government. During the century the system of individual economic initiative and private property, known as capitalism, raised the standard of living in the western world fourfold between 1815 and 1914. And towards the end of the century democracy was learning how to remedy, by old age pensions, graduated taxation, unemployment and health insurance and so forth, many of the evils which unrestricted capitalism had begun to bring forth. Yet naval power, which was the sanction behind it, because navies cannot move on land, made the system one of peace and freedom rather than of domination. The best proof that on the whole the system benefited the world was that at no time was there any serious thought by other nations of trying to upset it.

In 1914 this marvellous era came to an end. I cannot discuss to-night the reason. I would only say that one main reason was that Europe, during that century of world peace, failed to find any basis for its own federal union, as you and Canada and Australia had done.

But while, after a century of achievement, this rudimentary system of world order failed to prevent another world war, it did succeed in its primary purpose of protecting the liberties of North and South America and the British territories across the seas. At the end of the world war there was more political freedom and democracy in the world than there had been before. And to-day, early in the second great war of this century, it is precisely the future of this freedom which is at stake. If the barrier now erected by Britain and France goes, the victor will control the seas, the bases on which that control has rested will necessarily pass to him, and the system behind which you and we have lived, on the whole so freely and so prosperously, for 150 years will have disappeared.

I do not propose to-night to try to discuss why the League of Nations which, in 1919, was erected to replace the nineteenth-century system and which was based on the ambitious hope of giving security for national freedom everywhere, why the League

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of Nations, has so rapidly and, at the moment, so completely broken down. There are many reasons, some of which I have already mentioned. I would only add that one main reason was the failure to distinguish between world problems and the internal problems of Europe. Some form of economic federation, perhaps even of political federation, at any rate for part of Europe, is, I am sure, a necessary condition of any stable world order.

I have ventured to give you this brief retrospect of the history of the nineteenth century because I believe it contains lessons which are well worth our study to-day. Conditions, of course, are different to-day. It will not be possible to reconstruct the nineteenth-century system with its old forms; but, when at the end of this war we come to consider how world war, though not perhaps all war, can be prevented from happening again, I think it is worth while to consider the factors which underlay the successful experience of that century.

There has been a tendency among some writers in this country to regard this war as a struggle between Britain and France on the one hand and Germany on the other, with diplomatic manœuvres going on in eastern Europe on the side. Repeatedly I see it said that this is a mere contest for power between rival imperialisms. I think this is to misunderstand what is at stake. It is a question of whether power is going to be behind a liberal and democratic world or a totalitarian world. One of the mistakes the democracies made after the last war was to think that peace would come in the main through disarmament. Disarmament on a large scale, of course, is necessary. But peace comes from there being overwhelming power behind law—as you found when you had to deal with the gangsters within your boundaries. The real issue in this war is whether there is going to be power behind the kind of world in which France and the British Commonwealth and the democracies of Scandinavia believe or far more relentless power behind the world in which National Socialism and Communism believe. That is the real conflict—not the conflict between rival imperialisms.

Let me give you another reason for thinking that this war is not a mere struggle between Britain or France and Germany. I have often besought my fellow countrymen to study the United States. I have found it a most fascinating and inspiring study. May I urge you to study the modern British Commonwealth? I think you will find it equally fascinating. It is something quite different from what most Americans believe. It is

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no longer an empire in the old sense of the word. It is a vast system of international relationships, containing nearly 450,000,000 people, of many different races, religions and colours, yet living together under conditions of order and with ever-increasing freedom and responsibility. It is full of problems. India is the greatest of them. The root difficulty in India is how to find a stable form of responsible self-government for a sub-continent containing nearly 400 million people, speaking several languages, with grave Hindu-Moslem tension reminiscent of the Protestant-Catholic struggles in Europe, and with a third of the country governed by historic medieval princedoms. These things cannot be settled in a day, and, while there is no doubt that opinion in India is wholly on the side of the Allies and against the totalitarians—Mahatma Gandhi has made that clear—there are difficulties about the share of responsibility which the Indian parties are to have for the conduct of the war, difficulties which I believe will be adjusted by common sense and good will.

The attitude of the independent nations of the Commonwealth—Canada, Australia, South Africa, New Zealand and Ireland—has been made clear by their own Prime Ministers and Parliaments, free from all interference by Great Britain. The record is there for all to read, both of their decision and of what they propose to do. It is exactly the same with the colonial peoples. Legislative Councils, native rulers and representative bodies everywhere have declared their support of the Allies' cause. It is a striking tribute to their confidence in the modern Commonwealth system—the essence of which is that the innumerable problems which arise within it, problems of race and colour and civilisation, of self-government and responsibility, must be settled by free discussion round a table, by compromise, and not by resort to violence or by the domination of one race over all the rest. And as such it bears a clear analogy to your own Pan-American Union. It is by no means a perfect system, but it is on the right road; and for years it has been developing towards greater freedom. All these peoples, scattered all over the world, have now taken the same fundamental attitude to the great issue which is at stake in Europe. That, I think, is a remarkable thing—and it shows the immense gulf between British Imperialism, as it is sometimes called, and the imperialism of the totalitarian world.

In this war we are confident that our cause is going to prevail. We have no doubt about it. It may take time, as it took time in

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1914. It took even longer in the days of Napoleon. And our confidence is not based only upon a calculation of the vast human and material resources which, with ever increasing speed, are being mobilised to fling into the struggle (you have seen only a few days ago how the flying youth of the Commonwealth is to be trained in Canada)—it is even more because they are convinced that the right is now on their side. And if you are prepared to make sacrifices for it, the right always does win, because nothing lasting can be constructed on force alone, for underneath us all are the everlasting arms of justice, mercy and love.

I think we feel something more. In all the great crises of history the issue is between a great advance or a great setback. Crises mean that the old order is perishing and that something new must be born. Though we do not see the way clearly yet, we believe, all of us, Frenchmen, Canadians, Australians, New Zealanders and South Africans, and peoples from many other lands, that something greater and more noble in order and freedom, and not something brutal and vile, must be born out of the sacrifices of this time. At any rate, that is the hope and faith in which they are prepared to lay down their lives. The early years of the last war were years of defeat and failure and disaster. Yet in those days was written a poem which represented very well the hopes of that terrible time. It represents very well also, I think, the spirit of the Allied Armies to-day.

You that have faith to look with fearless eyes
Beyond the tragedy of a world at strife
And trust that out of night and death shall rise
The dawn of ampler life:

Rejoice, whatever anguish rend your heart,
That God has given you, for a priceless dower,
To live in these great times and have your part
In Freedom's crowning hour;

That you may tell your sons who see the light
High in the heaven, their heritage to take:
"I saw the powers of darkness put to flight!
I saw the morning break!"

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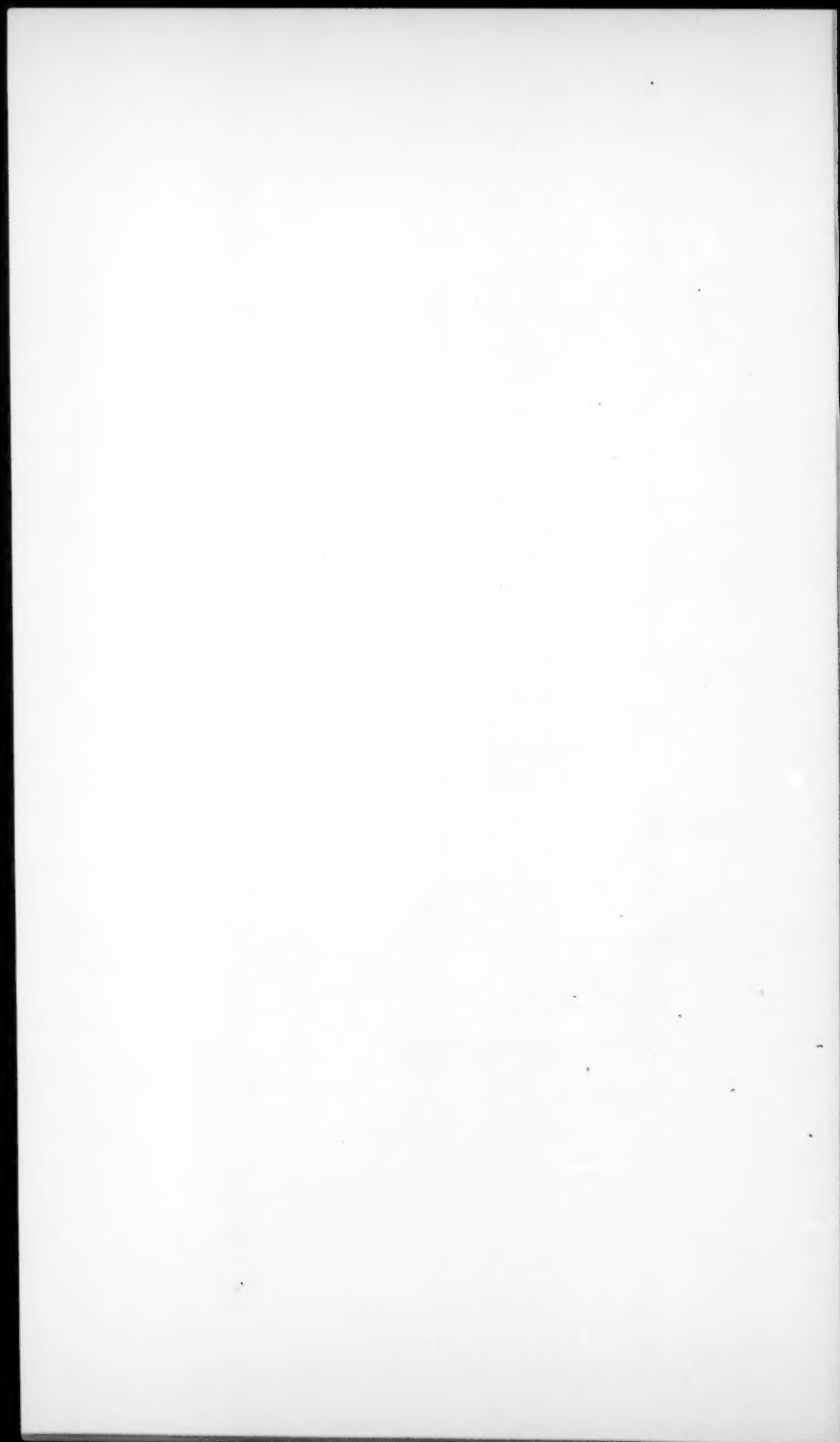
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